CANADA

Material Collected for Submission to the Restrictive Trade Practices Commission in the Course of an Inquiry under Section 42 of the Combines Investigation Act

Relating to

THE DISTRIBUTION AND SALE OF AUTOMOTIVE OILS, GREASES, ANTI-FREEZE, ADDITIVES, TIRES, BATTERIES, ACCESSORIES AND RELATED PRODUCTS

By

Director of Investigation and Research
Combines Investigation Act

Department of Justice
Ottawa
1960

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1960

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DIRECTOR OF INVESTIGATION AND RESEARCH

Combines Investigation Act

Ottawa

Room 746, Justice Building
December 15, 1960

C. Rhodes Smith, Esq., Q.C.,
Chairman,
Restrictive Trade Practices Commission,
Department of Justice,
Ottawa

In the Matter of an Inquiry under Section 42 of the Combines Investigation Act relating to the Distribution and Sale of Automotive Oils, Greases, Anti-freeze, Additives, Tires, Batteries, Accessories and Related Products

Dear Mr. Smith:

Pursuant to section 42 of the Combines Investigation Act, I am submitting to you herewith four copies of the material collected in the above inquiry so that, pursuant to the said section, you may consider this statement together with such further evidence or material as you consider advisable and report thereon in writing to the Minister of Justice.

Yours very truly,

(Sgd.) D. H. W. Henry

D. H. W. Henry
Director

PREFACE

To avoid misunderstanding, it is emphasized that this is not a Report under the Combines Investigation Act. It is material collected and analysed by the Director of Investigation and Research under the Act for the purpose of being laid before the Restrictive Trade Practices Commission in the course of an inquiry under Section 42 of the Act. This Section states:

> "42. (1) The Director [of Investigation and Research] upon his own initiative may and upon direction from the Minister [of Justice] or at the instance of the [Restrictive Trade Practices] Commission shall carry out an inquiry concerning the existence and effect of conditions or practices having relation to any commodity which may be the subject of trade or commerce and which conditions or practices are related to monopolistic situations or restraint of trade, and for the purposes of this Act any such inquiry shall be deemed to be an inquiry under section 8.
>
> (2) It is the duty of the Commission to consider any evidence or material brought before it under subsection (1) together with such further evidence or material as the Commission considers advisable and to report thereon in writing to the Minister, and for the purposes of this Act any such report shall be deemed to be a report under section 19."

Such report is a report under the Act, but a report of a general character to be distinguished from a report concerning an inquiry into alleged or suspected contraventions.

This inquiry under Section 42 was initiated by my predecessor, Mr. T. D. MacDonald, Q.C., because complaints had been received extending over a considerable number of years and coming from many parts of the country. It relates to the agreements and policies whereby retail gasoline outlets, or service stations, are restricted or influenced by their gasoline suppliers as to the brands, types and sources of supply of automotive oils, greases, anti-freeze, additives, tires and tubes, batteries and accessories (the last three items are sometimes referred to herein as "T.B.A. Products") handled by such outlets. The inquiry has been concerned with the prevalence of these practices and their effects on the distribution and sale of such automotive products to the public. The inquiry does not question the legality of the agreements and policies studied, but rather is concerned with the question whether they restrict competition to a degree that raises a question of the public interest.

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The oil company policies referred to in this Statement are termed "full-line forcing" and "directed buying". Full-line forcing means insistence upon the purchase by a service station dealer of a full line of oil company branded or distributed products, while directed buying relates to the requirement by an oil company that certain service station dealers it serves buy from specified suppliers. The agreements referred to in the Statement are termed "market access agreements" and are those between an oil company and a manufacturer or wholesaler of automotive products which provide for access to the service stations controlled by the oil company. These agreements and policies are defined and discussed in the body of the Statement.

The Statement sets out the scope of the inquiry and the procedures followed, the information obtained about the distribution and sale of the automotive products included in the study, together with an analysis of the effects of full-line forcing and directed buying policies, and of market access agreements, and the implications these practices have for this section of the Canadian economy.

In the conduct of this inquiry, much of the information had necessarily to be obtained through questionnaires sent to the many companies concerned. In the preparation of certain of these questionnaires, the Director received valuable assistance from the executives of one of the major oil companies and from the executives of one of the major automotive trade associations. It should also be noted that most of the companies concerned in this inquiry (see Appendix II and Appendix IV for listings of these companies) gave the Director full cooperation. This cooperation has facilitated greatly the conduct of the inquiry and the preparation of this Statement.

In this Statement the names of certain companies recur frequently and for convenience these companies will be referred to by abbreviated names as follows:

Company Name	Abbreviation Used in this Statement
Alberta Battery Company Limited	Alberta Battery
Anglo American Exploration Limited	Anglo American
Anglo-Canadian Oils Limited	Anglo-Canadian
Atlas Oil Company Limited	Atlas Oil
Atlas Supply Company of Canada Limited	Atlas Supply

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Anglo American	Anglo American Exploration Limited
Anglo-Canadian	Anglo-Canadian Oils Limited
Atlas Oil	Atlas Oil Company Limited
Atlas Supply	Atlas Supply Company of Canada Limited

Company Name	Abbreviation Used in this Statement
B.P. (Canada) Limited	B.P.
Bardahl Lubricants Limited	Bardahl
The British American Oil Company Limited	B.A.
Bowes "Seal Fast" Company Limited	Bowes
Canadian General Electric Company Limited	C.G.E.
Canadian Oil Companies Limited	Canadian Oil
Canadian Petrofina Limited	Canadian Petrofina
Canadian Shaler Products Company Limited	Canadian Shaler
Canadian Westinghouse Company Limited	Canadian Westinghouse
Champion Spark Plug Company of Canada Limited	Champion Spark Plug
Champlain Oil Products Ltd.	Champlain
Cities Service Oil Company Limited	Cities Service
Dayton Rubber Company (Canada) Limited	Dayton Rubber
The Dill Manufacturing Company of Canada Limited	Dill
Dominion Rubber Company Limited	Dominion Rubber
Dow Chemical of Canada Limited	Dow
Dunlop Canada Limited	Dunlop
The Electric Storage Battery Company of Canada Limited	Electric Storage
Federated Co-operatives Limited	Fed. Co-op.
The Firestone Tire & Rubber Company of Canada Limited	Firestone
P.M. Fleming Limited	P.M. Fleming
General Oil Company Limited	General Oil
Giant Battery Company Limited	Giant
Globe-Union Canada (1953) Limited	Globe-Union
B.F. Goodrich Canada Limited	B. F. Goodrich
The Goodyear Tire & Rubber Company of Canada Limited	Goodyear
Gould National Batteries of Canada Limited	Gould National
Great West Distributors Limited	Great West

Company Name	Abbreviation Used in this Statement
Hanning Electric Company Limited	Hanning
Hastings Limited	Hastings
Home Oil Distributors Limited	Home
Husky Oil & Refining Limited	Husky
Imperial Oil Limited	Imperial
Irving Oil Company Limited	Irving
Joy Oil Company Limited	Joy
Kleen-Flo Corporation	Kleen-Flo
Kralinator Limited	Kralinator
Lion Oil Company Limited	Lion
Mallory Battery Company of Canada Limited	Mallory
Mansfield Rubber (Canada) Limited	Mansfield
Maple Leaf Petroleum Limited	Maple Leaf
McColl-Frontenac Oil Company Limited	See Texaco Canada
Mobil Oil of Canada Limited	Mobil
North Star Oil Limited	North Star
Planet Oil Limited	Planet
Purolator Products (Canada) Limited	Purolator
Quaker State Oil Refining Company of Canada Limited	Quaker State
Radio Oil Refineries Limited	Radio
Regent Refineries (Canada) Limited	Regent
Reliance Petroleum Limited	Reliance
Royalite Oil Company Limited	Royalite
Shell Oil Company of Canada Limited	Shell
Standard Oil Company of British Columbia Limited	Standard
Stewart-Warner Corp. of Canada Limited	Stewart-Warner
D.A. Stuart Oil Company	D.A. Stuart
Sun Oil Company Limited	Sunoco
Supertest Petroleum Corporation Limited	Supertest

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Company Name	Abbreviation Used in this Statement
Texaco Canada Limited (formerly McColl-Frontenac Oil Co. Ltd.)	Texaco Canada
United Farmers of Alberta Co-operative Limited	United Farmers
Vigor Oil Company Limited	Vigor
Wainwright Refineries Limited	Wainwright
The Western Oil Company Limited	Western

The abbreviated form of a company's name is only used after the full name has appeared in the text.

The inquiry was begun in 1953. Although initially it was intended that the inquiry should be completed after the 1956 questionnaires were sent to the oil companies, it became apparent that additional information could be obtained from manufacturers and wholesalers of automotive products which would be valuable. Consequently the inquiry was extended. Because it was conducted over a period of years, the opportunity has been taken to note changes which have been made in the practices studied and their increasing use by some companies.

Although various expressions used frequently in this Statement are defined in the text, they are set out here for convenient reference by the reader:

(1) Full-line forcing: a supplier agrees to sell or lease one commodity* on the condition that the buyer will buy or lease a full line of the supplier's goods.

(2) Directed buying: a supplier agrees to sell or lease one commodity* on the condition that the dealer purchase another commodity from a supplier specified by the first supplier.

(3) Market access agreement: an agreement between two suppliers A and B providing supplier B with exclusive or preferred access to a "captive" or "fenced-in" market under the control of supplier A in exchange for a commission on all supplier B's sales to the dealers

* The term "commodity" is used in definitions (1) and (2) as being synonymous with "economic good" and would include immovables as well as movables.

constituting that market. As part of the agreement, supplier A may undertake to specify or recommend supplier B to the dealers or otherwise assist in promoting supplier B's sales.

(4) Automotive petroleum products: for the purposes of this inquiry, the term includes automotive gasolines, diesel fuels, lubricating oils and greases, alcohol, glycols and related anti-freeze products, kerosene, napthas and solvents.

(5) Automotive products: this term refers to the group of products commonly dealt in by automotive wholesalers and includes tires and tubes, batteries, accessories, additives, and parts, as well as such petroleum products as automotive lubricating oils and greases, and anti-freeze products. It excludes gasoline.

(6) Service station products: this term refers to the automotive products with whose distribution this inquiry is specifically concerned and includes automotive lubricating oils and greases, anti-freeze, additives, tires batteries and accessories. It excludes gasoline.

(6) T.B.A. products: a term used in the trade to include tires, batteries and accessories. The individual commodities included in the expression, for the purposes of the inquiry, are listed in Appendix I.

(8) Service Station: a retail petroleum outlet where the dealer is associated with one of the principal distributors of gasoline and petroleum products by some form of contractual obligation.

Classes of Service Station:

(a) Company owned and operated stations: includes stations which are the property of the supplying oil company or leased by it, and operated by the oil company with the operator being, in effect, an employee of the company.

(b) Lessee operated stations: includes stations owned or leased by the supplying oil company but leased by it to lessee dealers. These dealers frequently must provide some capital investment in the enterprise.

(c) Financially assisted stations: includes stations to whose operators the supplying oil company has extended direct financial assistance secured by mortgage or otherwise secured.

(d) Independent, brand stations: includes stations whose operators either own the stations or lease them from third parties, and which stations dispense and display the brand products of the supplying oil companies. These products are usually purchased under some form of retail dealer agreement signed with the oil company. In a majority of instances the dispensing equipment is obtained under an equipment loan or conditional sale agreement with the oil company.

In the course of this inquiry a number of officers on the staff of the Director contributed to the study. They include Mr. R. W. MacQuarrie, Mr. G. A. MacKay, who have since resigned to enter private legal practice, Miss C. E. Wishart and Mr. R. M. Davidson. The study itself was prepared by Mr. G. C. Wilkes.

(Sgd.) D.H.W. Henry

D.H.W. Henry
Director of Investigation and Research
Combines Investigation Act

Ottawa,
December 15, 1960

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CHAPTER I

INTRODUCTION

A. Subject Matter of the Inquiry

The subject matter of this inquiry includes automotive lubricating oils, greases, anti-freeze, tires, tubes, batteries, accessories and related products. Additives such as gasoline de-icing compounds and chemicals added to gasoline and lubricating oils are among the "related" products.

Although, initially, considerable information was gathered concerning the distribution of automotive parts, it was subsequently decided not to include automotive parts in the inquiry. This was because, although some automotive parts may be sold to a greater or lesser degree through service stations, which are doing more and more service and repair work, the principal outlets for automotive parts are still garages, body repair shops, certain types of automotive retail stores, franchise car dealers and automotive parts distributors. These outlets are not ordinarily involved in the oil company agreements and policies affecting the other automotive products; furthermore, the distribution of automotive parts is complicated by the policies followed by automobile manufacturers in connection with the sale of so-called "genuine" replacement parts. While certain aspects of these policies may be similar to those of the oil companies, such policies also raise other questions and their inclusion in this inquiry would tend to confuse an already complex subject.

Since different groups of products will be referred to, from time to time, throughout this Statement, it will be convenient, from here on, to designate them as follows:

(1) Automotive products: This includes - tires, batteries, accessories, additives and parts as well as such petroleum products as automotive lubricating oils and greases, and anti-freeze.

(2) Automotive petroleum products: This includes - automotive gasoline, diesel fuels, lubricating oils and greases, alcohol, glycols and related anti-freeze products, kerosene, napthas and solvents.

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(3) Service station products: This includes - automotive lubricating oils and greases, anti-freeze, additives, tires, batteries and accessories.

(4) "T.B.A." products: This includes - tires, batteries and accessories.
The individual commodities included in this expression are listed in Appendix I.

The complaints received from manufacturers and wholesalers of service station products, from service station dealers and from consumers, concerning the distribution of service station products, were to the effect that, by means of "full-line" forcing policies, the principal oil companies were bringing about a situation whereby the vast majority of service stations dispensing brand gasoline were restricted to handling the service station products of the respective companies supplying them with gasoline; that, by means of "directed buying" policies and "market access" agreements, the principal oil companies had acquired a substantial degree of control over their service stations' selection of other service station products customarily sold to the public by service stations; that these "market access" agreements restricted the market, for automotive products, of manufacturers and wholesalers who had not entered into such agreements; that by reason of such agreements and policies, consumers were frequently prevented from obtaining the brand or quality of product they desired and the cost to them of some such products was enhanced; and, finally, and in effect, that from the public standpoint, such agreements and policies interfered with the most favourable allocation of resources in this field.

"Full-line" forcing and "directed buying" provisions are to be found in a number of the different types of written agreements or contracts between the oil companies and their various types of service stations and are usually coupled with provisions requiring a station operator to deal in his oil company's products exclusively. The most common provision is that relating to "full-line" forcing, all types of service stations dispensing brand gasoline being covered by at least one type of written agreement containing some form of exclusive "full-line" forcing provision. Exclusive full-line forcing is regarded in this Statement as applying to a principal distributor's main products. At times dealers may not sell all the items in a distributor's product line, omitting some minor items. Moreover, some distributors may not insist on exclusive dealing in such minor products.

The following definitions apply to the use of the expressions "full-line" forcing, "directed buying" and "market access"

agreements as used in this Statement:

<u>"Full-line" forcing</u>:

A supplier agrees to sell or lease one commodity on the condition that the buyer will buy or lease a full line of the supplier's goods.

<u>"Directed buying"</u>:

A supplier agrees to sell or lease one commodity on the condition that the dealer purchase another commodity from a supplier specified by the first supplier.

<u>"Market access" agreement</u>:

An agreement between two suppliers A and B providing supplier B with exclusive or preferred access to a "captive" or "fenced-in" market under the control of supplier A in exchange for a commission on all supplier B's sales to the dealers constituting that market. As part of the agreement, supplier A may undertake to specify or recommend supplier B to the dealers or other-wise assist in promoting supplier B's sales.

The principal oil companies will usually be referred to in this Statement as "principal distributors". A list of "principal distributors" will be found on pages 25 and 26.

The particular policies and agreements mentioned above are part of a broader group of exclusive trading practices which may affect the marketing of goods. This broader group is discussed, as part of a general analysis in Chapter VI, in order to provide a perspective in which the particular policies and agreements may be set. Although some other of the broader group of exclusive trading practices may have aspects similar to those studied in this inquiry, they are not considered in detail because they are not directly relevant.

Although they will reappear later in particular contexts, a few statistics, at this stage, may serve to set a useful background. The market value in Canada in 1956 for gasoline and automotive products, at the producer level, was nearly $1, 520, 000, 000. About 38 per cent of this total was accounted for by gasoline, perhaps about 39 per cent by automotive parts, and therefore around 23 per cent or some $350, 000, 000 by service station products.

The automotive wholesalers who supplied information for the purpose of the inquiry showed sales in 1956 of automotive products totalling almost $130, 800, 000. The proportion of this total that was made to service station dealers is not known; neither is the total of sales by manufacturers to such dealers known.

The principal distributors reported sales of service station products to service stations (their own sales and sales under market access agreements) totalling over $81, 065, 000 in 1956. Of this total, 32 per cent represented sales of T.B.A. products under market access agreements. Purchases by service stations from all sources would, of course, be considerably greater than this total.

Sales under market access agreements reported by the automotive wholesalers came to over $3, 940, 000 in 1956 and sales under such agreements reported by manufacturers of automotive products totalled about $21, 332, 000. The combined figure for wholesalers' and manufacturers' sales under such agreements of $25, 272, 000, works out to 97 per cent of the total of such sales reported by the principal distributors as set out in Chapter V, indicating that such reports correspond closely. Commissions received by the principal distributors in 1956, under market access agreements, amounted to about $2, 520, 000. The major portion of these commissions was paid in respect of sales of tires, tubes and batteries

B. Scope of the Inquiry

In order to determine the effects of the agreements and policies referred to above, it was necessary, first, to obtain sample copies of contracts now in existence. This was so because not only are there variations in such contracts for each oil company and distributor, but also there are variations in the contractual arrangements as between a lessee-dealer, a financially assisted dealer and an independent, brand dealer* and their supplier. This information was supplemented by data on the number of service stations of each type supplied by each principal distributor and the proportion of the principal distributor's business accounted for by each type of outlet. Considerable although not complete information was also obtained by questionnaires on market access agreements between principal distributors and manufacturers, automotive wholesalers or other suppliers of service station products, together with the amount of commissions received and the amount of business done under such agreements. Where a principal distributor sold all or some of the service station products as an integral part of its own business, information on the total value of the sales of such products to stations was also obtained. In addition the principal distributors were asked to state their policies concerning the enforcement of the full-line forcing and directed buying policies and agreements in respect of service station products covered by contracts with their service station dealers. The principal distributors were also asked

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* Independent, brand dealer is defined as a service station dealer who owns his own station but deals in the brand of automotive petroleum products of a given oil company and displays the signs and trade symbols of the oil company. A fuller definition of an independent, brand service station appears below, p. 40.

to express their views on the importance of these practices to the trade. All this information was obtained by means of questionnaires sent at various times to the principal distributors. Sample copies of such questionnaires are reprinted in Appendix II together with a list of the companies to whom the questionnaires were sent.

In order to appraise the result of the principal distributors' full-line forcing and directed buying policies and arrangements, members of the Director's staff canvassed service station dealers individually in 1954 and 1955 in Ottawa and the region within 50 miles of that city, and in 1957 in Greater Winnipeg. Samples of the questionnaires used in the personal interviews are reprinted in Appendix III. No claim is made that these samples are entirely representative of areas other than those surveyed or for any other periods than just stated. Nevertheless, they throw considerable light on the actual retail distribution of automotive petroleum products and the service station products studied, and on the type of problems which may arise in relationships between the service station dealer and his gasoline supplier and suppliers of service station products.

This inquiry also covered extensively the distribution of service station products at the manufacturing and wholesale levels with particular attention focused on the sale of these products to service station dealers. The manufacturers and wholesale suppliers of these products were asked to provide information on the sales of all their products, of service station products, and on the sales of these through service stations. Information was also obtained on the agreements, if any, which these companies had with oil companies for distribution of their products under market access agreements, on payments to the oil companies under these agreements, and on the necessity to enter such agreements in order to obtain access to this channel of distribution. Samples of the questionnaires used in this part of the inquiry are reprinted in Appendix IV together with lists of the companies to whom the questionnaires were sent and from whom replies were received.

In the preparation of this Statement a number of published sources of information were consulted and a list of such material appears in Appendix VI. Where specific reference to any particular source is cited in this Statement, a square bracketed figure, i.e. [2],will indicate the source in its numerical order in Appendix VI. In Chapter VI an analysis is made of the experience in the United States with the effect on competition of full-line forcing, directed buying and market access agreements, and of the economic significance of such practices.

C. Limitations in the Inquiry

Only limited attention could be given to the possibility of regional differences in the extent to which full-line forcing and directed buying policies and market access agreements may be operative or significant in the distribution and sale of service station products. In particular, it has not been possible to take sample surveys of retail gasoline dealers in other than the two centres referred to above. To the extent that the operations of some of the principal distributors are confined to certain regions, the effects of any particular full-line forcing or directed buying policies they may have will also be similarly confined. The same may be said where any particular manufacturer or supplier of any of the service station products confines his operations to a certain part of the country.

The heavy reliance on questionnaires as a source of information in the inquiry has been noted. No hearings have been held before the Restrictive Trade Practices Commission to permit full assessment of any of the material cited from replies to questionnaires from affidavits received, or from complaints made to the Director, or to provide for detailed explanation of the principal distributors' full-line forcing and directed buying policies and market access agreements. The decision not to hold hearings prior to the preparation and submission of this Statement was taken in order to expedite the completion of the inquiry. It was presumed that at subsequent stages, opportunities would be available for any representations to be heard on the contents of the Statement. Although no hearings were held, every effort possible has been made to check the accuracy of data, and the opinions and views of individuals and companies have been reported as fully as possible.

The statistical information provided by the companies in their replies to the questionnaires have shown trading patterns and sales levels quite clearly. However, because some companies at times found it difficult, if not impossible, to supply other than estimated data, caution is urged as to the exactness of some of the figures reported.

Exclusive full-line forcing and directed buying policies and market access agreements are facets of the total complex of relationships involved in the distribution of automotive petroleum and service station products. These relationships are subject to constant change. Thus, while the inquiry does deal with policies and agreements which have continued to operate to greater or lesser degree since before the inquiry was initiated and while this Statement has attempted to indicate some of the new developments, it is realized that there may be a number of important changes in the current situation which are but lightly touched upon or which have occurred since the inquiry was finished and have not been measured.

CHAPTER II

DISTRIBUTION OF AUTOMOTIVE PRODUCTS

This Chapter is concerned with providing a background description of the channels of distribution of automotive products against which can be cast the more detailed treatment given the particular channels which the petroleum industry provides. The nature of the markets are discussed and relationships between operators at the different levels of distribution are briefly noted.

A. Channels of Wholesale and Retail Distribution

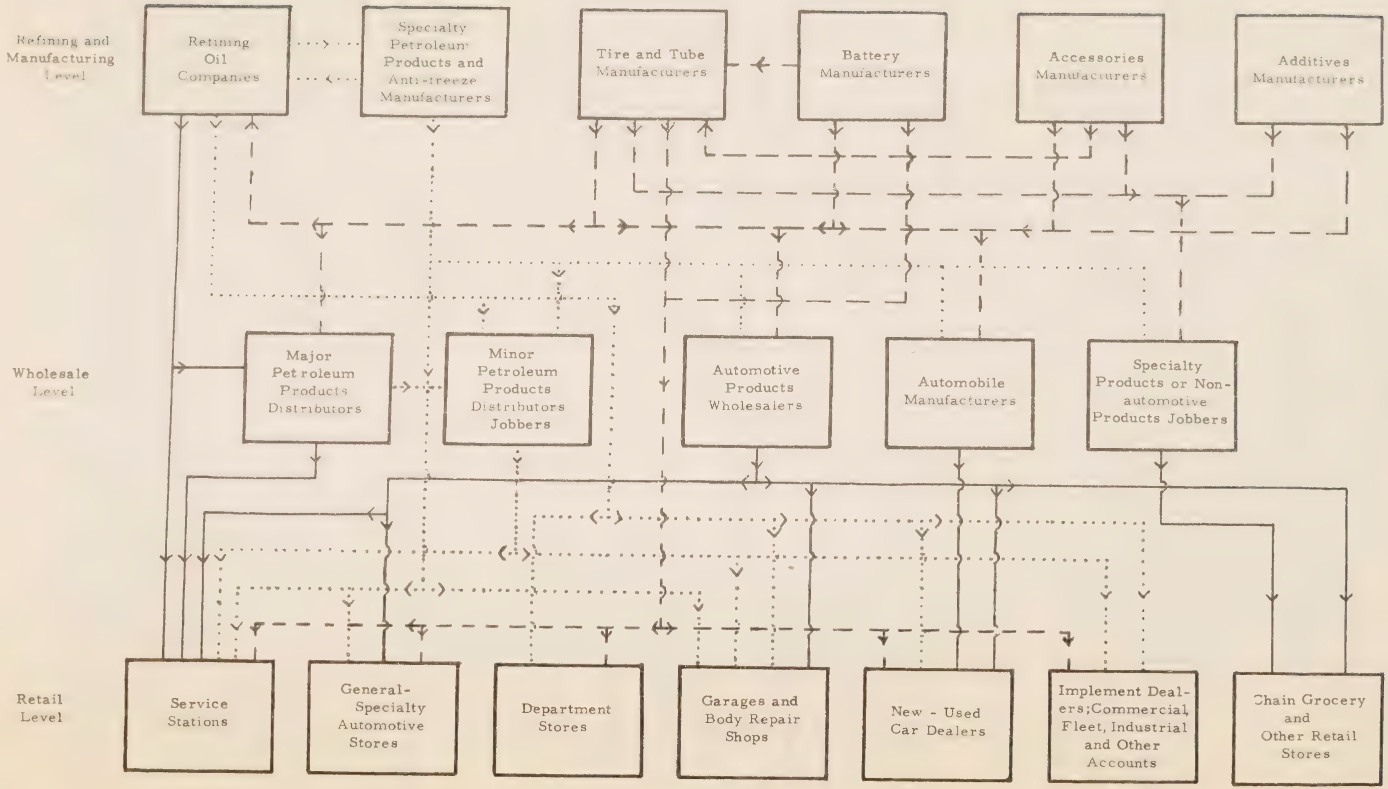
The distribution patterns for automotive products are complex but are principally influenced by the nature of the two principal types of commodities involved: petroleum products and automobile components. Broadly speaking, the automobile manufacturers in their motor vehicles have provided the consumer with a durable product of great intricacy and engineering refinement, and which is itself an aggregation of a multitude of component elements. These vehicles require servicing and repair of many of the component parts which themselves may vary widely in complexity, size and engineering refinement. The continual improvement and modification of the original product and its components have increased the consumers' demands for servicing facilities and suppliers. In addition, of course, the motor vehicle requires fuel to make it operate and various lubricating and other commodities to ensure continual trouble free operation. These complementary petroleum products must be readily available along travel routes.

The following diagram illustrates the principal channels of distribution from the manufacturing and producing level to the retail level. Because of the very large number of automotive products and the ramified interests of the companies involved, there are doubtless other channels which are not indicated. Nevertheless the diagram does bring out the involved pattern of distribution. It indicates that the retail distribution channels frequently have particular attributes which appeal to the consumer, or which are developed to meet the consumers' needs. For example, the service station meets an extremely wide variety of demands both for commodities and service, but not usually in depth, there being limited stock to choose from. The automotive general stores provide choice in depth but limited service and gasoline is rarely included. The specialty stores such as

PRINCIPAL CHANNELS OF DISTRIBUTION

OF

AUTOMOTIVE PRODUCTS



LEGEND: .... Petroleum Products; — — — T.B.A. Products; ——— Petroleum & T.B.A. Products.

tire shops emphasize service and choice in depth on a limited range of goods. Department stores frequently conduct their sales by mail order as well as direct customer contract and appear to aim at capturing the business of the buyer accustomed to buy other goods at the store. Some chain grocery stores carry the less familiar brand names of the specialty petroleum products manufacturers and aim for the business of the consumer content with "one-stop" buying and prepared to provide his own service. The brief description, merely indicates the many approaches followed in merchandising automotive products.

At the wholesale level, equally flexible but complex channels are followed. Several manufacturers and oil refiners themselves carry on wholesaling activities. The interest shown by these major producers in wholesaling is increasing; more oil companies are conducting distributing operations and more are including greater numbers of commodities in their product lines. Of interest is the rather recent entry of food jobbers into the automotive field, as manufacturers have sought distribution through chain grocery stores.

It should also be noted that branding is prevalent among the automotive and petroleum products manufacturers, although unbranded commodities are extensively sold. For example, the refiners sell their brand gasolines to their own service station networks but unbranded gasolines to other refiners and distributors. The tire and battery manufacturers may also be cited among the producers who have their own proprietary brands and also produce distributor branded goods for customers such as the oil companies. The automobile manufacturers also distribute "genuine" replacement parts for their cars.

B. Size of Markets

1. Production Level

At the production level it is difficult to compile figures on the size of the automotive products markets which would be other than approximate. Specific information from publications of the Dominion Bureau of Statistics are not obtainable for some of the many commodities in the group. However, the following Tables 1 and 2 provide an indication of the order of size of the market.

Table 1

Estimated Domestic Producers' Market for Automotive Products, Value of Gross Sales or Factory Shipments - 1951, 1955 and 1956

(thousands of dollars)

Item	1951		1955		1956	
Petroleum Products						
Gasolines[1 *]	311,645		514,202		563,328	
Lubricating oils and greases[1]	38,062		51,854		67,369	
Anti-freeze products[2]	12,060	361,767	11,661	577,717	10,667	641,364
Parts and Accessories						
Oil filters and elements[**]	3,408		4,176		4,748	
Spark plugs[**]	6,050		8,673		8,212	
Storage Batteries[**]	16,447		20,512		21,737	
Battery cables and ground straps	500		494		518	
Tire chains[**]	1,866		1,506		1,358	
Fan belts[**]	1,151		1,012		1,221	
Heaters[**]	5,404		4,365		4,670	
Auto hardware[**]	8,149		7,118		7,865	
Tires and tubes[**]	158,256		172,460		184,671	
Tire flaps, etc.[**]	781		522		712	
Tube repair kits[3]	123		423		379	
Tire and tube patches[3]	825		1,259		1,406	
Rubber Parts[3]	4,105		4,264		4,726	
Brake fluid[2]	793		997		1,128	
Other Products[**]	290,966	498,824	302,818	530,599	340,011	583,362
TOTALS		860,591		1,108,316		1,224,726

Note: Items 1, 2 and 3 are drawn from Dominion Bureau of Statistics publications: The Petroleum Products Industry; The Miscellaneous Chemical Products Industry and The Rubber Products Industry respectively. The remaining items are from the Bureau's publication: The Motor Vehicle Parts Industry.

* Values computed by multiplying volume of gross sales of gasoline less volume of imported gasoline lighter than .8236 sp. gr. by the average unit value per gallon obtained by dividing the gross selling value of production by the volume of production.

** "Other Products" computed by deducting from the total sales of parts and accessories produced in all industries as reported in The Motor Vehicle Parts Industry, the specific items cited in the table with ** and included in the total sales.

Table 2

Estimated Imports of Automotive Products[1] - 1951, 1955 and 1956

(thousands of dollars)

Item	1951	1955	1956
Gasolines[2]	19,944	12,930	13,278
Lubricating oils	9,947	11,488	13,006
Greases	1,424	1,940	2,098
Tires and tubes[3]	2,960	7,870	10,268
Rubber auto parts	1,812	1,598	1,734
Storage batteries and parts	764	2,169	2,046
Anti-freeze products	1,440	894	(4)
Auto parts n.o.p. and accessories(3)	178,369	227,198	252,581
TOTALS	216,660	266,087	295,011

(1) Compiled from Dominion Bureau of Statistics publication: Trade of Canada, Volume III, relevant years.

(2) Gasoline distillate lighter than .8236 specific gravity at 60 degrees F. Casing head gasolines not included as they are used by the refiners for blending and not for sale to consumers.

(3) Include imports by returning Canadian tourists in 1951.

(4) Less than $500.

In 1951, the value of domestic factory shipments or gross sales plus imports is estimated at $1,077,251,000, in 1955 at $1,374,403,000 and in 1956, at $1,519,737,000. These figures will likely include products, such as lubricating oils, for other than automotive use, and gasoline for internal combustion engines (excluding aviation gasoline) some of which are undoubtedly stationary. In addition, some imported items may have been imported by manufacturers as components for other products as well as by distributors for resale to retail outlets, for example, parts for cars. The above estimates of the size of the market for automotive products at the producers' level indicate an increase in sales in 1956 of over 10.5 per cent from the previous year.

As part of this appraisal of the market, it is perhaps useful to note the changes in gasoline consumption and motor vehicle registrations. These are given in Table 3 for 1951, 1955 and 1956. Net sales of gasoline have been used to avoid inclusion of sales for marine and other tax-empt non-automotive uses. Net sales will, however, underrate the sales for motor vehicle use as certain classes of vehicles, such as some government and logging vehicles, are tax-exempt. The increase in net sales of gasoline in 1956 from the previous year was over 10.3 per cent. The increase in motor vehicles registered in the same period was just over 8.0 per cent and the increase in apparent unit consumption was just under 2.0 per cent.

Table 3

Motor Vehicle Registrations, Sales of Gasoline and Average Unit Consumption - 1951, 1955 and 1956

Year	Motor Vehicle Registrations Number	Net Sales[1] of Gasoline M Gallons	Apparent Average Unit Consumption of Gasoline Gallons
1951	2,872,420	1,528,906	532
1955	3,948,652	2,226,979	564
1956	4,265,437	2,456,988	575

(1). Gross sales less tax-exempt sales.

Source: The Dominion Bureau of Statistics publications: The Petroleum Products Industry and The Motor Vehicle

2. Wholesale Level

At the wholesale level the information available from the Dominion Bureau of Statistics cannot always be analysed to give a clear picture of wholesale trade in different commodities. The fullest information is for the year 1951 and Table 4 presents a compilation based on the 1951 Census report. Commodities falling in the broad classes of "automotive parts, accessories and equipment" and "petroleum and its products", which include T.B.A. products,

anti-freeze, and lubricating oils and greases, are handled by a number of the different classes of wholesalers set out by the Bureau. The data in Table 4 were compiled from the information for those wholesalers classified as dealing in "automotive parts and accessories", "tires and tubes", "other automotive equipment", "motor vehicles", "farm suppliers", "general merchandise", "petroleum and its products", "plumbing and heating equipment and supplies", "specialty hardware", and "coal and coke" and from the information for manufacturer's sales branches dealing in "automotive products", "hardware", "machinery equipment and supplies", and "other kinds of business". Sales by petroleum bulk tank stations and by agents and brokers have not been included as there is no information available on what proportion of the total automotive and petroleum products sold by such branches of the trade would be accounted for by service station products. In compiling Table 4, sales of automotive parts were excluded where possible and the data confined to sales of service station products. However, sales of parts had to be included for some classes of wholesalers.

Table 4

Wholesale Trade Sales in Certain Automotive Products - 1951

(in million dollars)

Commodity or Commodity Group	Wholesalers Proper	Manufacturers' Sales Branches	Totals
Batteries	8.7(4)	5.0	13.7
Tires and tubes	22.1(4)	60.8	82.9
Accessories(1)	50.4(4)	9.5	59.9
Parts, accessories and equipment (2)	15.3	20.3	35.6
Lubricating oils	1.5	-	1.5
Lubricating greases	0.6	-	0.6
Petroleum and its products(3)	10.3	-	10.3

Note: Compiled from Dominion Bureau of Statistics 1951 Census of Canada, Vol. VIII, Wholesale Trade and Services. See particularly, Tables 3, 16 and 19.

(1) Including anti-freeze and other automotive supplies.

(2) The major proportion is probably composed of parts and equipment, but the proportions would vary between the different kinds of businesses reporting sales of these commodities. This group does not include all sales of automotive parts and equipment.

(3) Lubricating oils and greases constitute only a small percentage of this total, depending on the kind of business reporting sales of these commodities. Wholesalers dealing primarily in petroleum and its products indicated lubricating oils constituted 0.8 per cent of sales, and greases 0.3 per cent in 1951. The sales of this group of wholesalers is not included as dollar values not available.

(4) Sales of batteries, tires and tubes, and accessories were specifically reported for only three classes of wholesalers - those dealing in automotive parts and accessories and in tires and tubes and in other automotive equipment. Sales of such products by other wholesalers were, presumably, grouped in part with "parts, accessories and equipment".

Two of the classes of wholesalers - those dealing in automotive parts and accessories and in tires and tubes - reported sales totalling $246, 800, 000 in 1951. Sales of T.B.A. products and anti-freeze represented 32.1 per cent of this total, comprised of batteries $8, 700, 000, tires and tubes $22, 100, 000 and accessories, anti-freeze and other automotive supplies, $48, 400, 000. Parts and other products comprised the remainder. Sales by the same two groups totalled $302, 700, 000* and $338, 000, 000* in 1955 and 1956 respectively. Sales of automotive products for these later years are not available for the other classes of wholesalers included in Table 4.

3. <u>Retail Level</u>

The Dominion Bureau of Statistics' most recent information on retail sales in Canada is taken from the 1951 Census. This provides information for the following classes of automotive products:

Gasoline
Lubricating Oils and Greases
Parts and Accessories
Tires and Tubes
Storage Batteries

No information is available for anti-freeze or additives sales, nor is it possible to separate accessories and parts. The Bureau also provides a classification of the different types of retail outlet selling these commodities as follows:

(a) Accessories, tire, and battery shops,
(b) Car dealers - including those with wholesale as well as retail car departments, and those with farm implements, and used car dealers,
(c) Department stores,
(d) Filling stations,
(e) Garages,
(f) General stores,
(g) Hardware stores,
(h) Farm implement dealers,
(i) Farmers' supply stores.

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* From Dominion Bureau of Statistics publication, <u>Wholesale Trade, December 1958</u>.

The Bureau has given these classes specific definitions which are set out in Appendix VII.

While the above retail outlets probably account for the majority of retail sales of automotive products, service establishments concerned with different types of service required by motorists also sell some automotive products. These businesses are concerned primarily with providing service and where merchandise is sold, as for example, in service garages, it accounts for less than one third of total receipts. The Dominion Bureau of Statistics has set out the following classes of establishments which provide service to motor vehicles:

(a) Automobile service garages,
(b) Battery, ignition and electrical repair shops,
(c) Body repairs and paint shops,
(d) Parking lots,
(e) Storage garages,
(f) Tire and brake shops,
(g) Washing and polishing establishments,
(h) Other automotive service shops.

Definitions for these classes may be found in Appendix VII.

The term "service station" used in this Statement, refers to all the retail petroleum outlets where the dealer is associated with one of the principal distributors by some form of contractual obligation. The most extensively used is the Retail Dealer Agreement (described below, p. 64). which provides for the supply of petroleum products to the dealer. This agreement may be made with any dealer dispensing gasoline whether his principal business is automotive service or not. Therefore, included as service stations, are all those retail outlets commonly regarded as primarily selling automotive petroleum and T.B.A. products - the readily recognized "service station" as well as those petroleum outlets associated with garages of all kinds, implement and car dealers, country general stores, roadside canteens, motels, and tourist camps. Frequently, these latter dispense lubricating oils, greases and anti-freeze and sometimes handle a limited line of T.B.A. products. Those petroleum outlets selling unbranded products or in no way associated with one of the principal distributors for supply of petroleum products have not been included as service stations.

It is evident that this service station classification does not correspond with the classifications used by the Dominion Bureau of Statistics. However, it would include the Bureau's "filling stations" as well as "garages", "car" and "implement" dealers, and "farmers supply stores" which dispensed petroleum products as dealers for an oil company. Similarly, it would include "service

garages" and other establishments dispensing petroleum products.

Although the Bureau's classifications for retail outlets do not coincide with that used in this inquiry for service stations and while, for present purposes, there are some other limitations in the Bureau's data,* nevertheless, the Bureau's statistics for such sales as are compiled in Table 5, provide a good indication of the relative importance of the principal retail outlets dealing in automotive products. Accessories, tire and battery shops, car dealers, filling stations and garages comprise a group principally concerned with the sale of automobiles and automotive products and services. Farm implement dealers and farmers supply stores frequently sell automotive products. From a study of the table, it will be seen that outlets in these classes in 1951 accounted for over 96 per cent of the retail sales of automotive products reported by the Bureau. As suggested above, there were among these outlets some which, doubtless, did not dispense gasoline or service station products and, therefore, would not be considered as service stations in this inquiry. This would likely apply particularly to the category of accessories, tires and battery shops. Yet it seems reasonable to conclude that a major proportion of the sales of gasoline and service station products were made through retail outlets which may be regarded as service stations because a majority of outlets in the filling station, garage, car and implement dealer and farmers supply stores classes, sell gasoline and other petroleum products supplied by one of the principal distributors.

While Table 5 contains probably the most definitive published data available on retail sales of gasoline and service station products, it may be supplemented by the more limited information provided by the Dominion Bureau of Statistics on receipts from all sources by automotive service establishments (see classification (a) to (h) p. 16 above.) The latter provides at least an indication of the possible significance of these outlets as markets for service station products. Such data are compiled in Table 6.

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* The Dominion Bureau of Statistic's classifications for retail outlets exclude the service establishments noted above.

Table 5

Retail Sales of Automotive Products - 1951

(thousands of dollars)

Channel of Distribution	Gasoline		Lubricating Oils and Greases		Parts and Accessories		Storage Batteries		Tires and Tubes		All Products		Service Station Products [1]		T.B.A. Products		Number of Stores
	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total	Sales	% of Total	
Accessory, tire and battery shops	6,016.1	1.5	809.5	1.9	22,444.2	8.1	1,315.2	8.1	30,272.9	36.2	60,857.9	7.4	54,841.8	13.1	54,032.3	14.4	1,021
Car Dealers																	
Dealers-retail	48,742.4	12.1	5,831.8	14.1	96,330.5	34.7	1,861.8	11.5	14,981.7	17.9	167,748.2	20.4	119,005.8	28.4	113,174.0	30.0	2,576
Dealers with wholesale car departments	15,724.9	3.9	2,404.0	5.8	62,314.9	22.5	771.9	4.8	6,280.7	7.5	87,496.4	10.6	71,771.5	17.1	69,367.5	18.4	542
Dealers with farm implements	19,199.1	4.8	2,738.8	6.6	38,104.7	13.7	708.1	4.4	5,172.3	6.2	65,923.0	8.0	46,723.9	11.2	43,985.1	11.7	1,342
Used cars	1,828.0	0.4	134.8	0.3	1,256.9	0.5	6.3	(2)	196.5	0.2	3,422.5	0.4	1,594.5	0.4	1,459.7	0.4	708
Filling stations	251,732.9	62.4	21,870.3	52.9	19,078.5	6.9	2,354.4	14.6	10,749.8	12.9	305,785.9	37.2	54,053.0	12.9	32,182.7	8.5	8,394
Garages	50,969.2	12.6	5,933.2	14.3	25,456.0	9.2	1,708.2	10.6	7,635.1	9.1	91,701.7	11.2	40,732.5	9.7	34,799.3	9.2	3,694
Department stores (including mail order offices)	-	-	-	-	1,820.2	0.7	1,365.2	8.4	1,365.2	1.6	4,550.6	0.6	4,550.6	1.1	4,550.6	1.2	649
General Stores	-	-	-	-	7,693.5	2.8	5,769.9	35.7	5,769.9	6.9	19,233.3	2.3	19,233.3	4.6	19,233.3	5.1	10,457
Hardware stores	2,935.2	0.7	326.1	0.8	-	-	-	-	-	-	3,261.3	0.4	326.1	0.1	-	-	3,741
Farm implement dealers	2,932.0	0.7	1,066.4	2.6	2,650.3	0.9	308.3	1.9	1,216.6	1.5	8,173.6	1.0	5,241.6	1.3	4,175.2	1.1	2,668
Farmers' supply stores	3,632.8	0.9	309.9	0.7	-	-	-	-	-	-	3,942.7	0.5	309.9	0.1	-	-	274
Totals	403,712.6	100.0	41,424.8	100.0	277,149.7	100.0	16,169.3	100.0	83,640.7	100.0	822,097.1	100.0	418,384.5	100.0	376,959.7	100.0	36,066

(1). Excludes gasoline but includes parts.

(2). Less than 0.1 per cent.

Source: Compiled from Tables 1 and 25, Vol. VII, Census of Canada, 1951.

Table 6

Receipts by Automotive Service Establishments from all Sources, 1951

(in thousand dollars)

Type of Establishment	Number of Establishments	Receipts
Automobile Service Garages	3,493	56,973
Battery, Ignition and Electrical Repair Shops	116	1,948
Body Repairs and Paint Shops	832	15,787
Parking Lots	180	1,321
Storage Garages	21	1,173
Tire and Brake Shops	174	4,710
Washing and Polishing	47	1,507
Other Automotive Services	228	3,731

There is little information on the proportion of receipts derived from the sale of merchandise except that, in the repair service group of establishments, which includes automotive and other types of repair service businesses, receipts in 1951 totalled $132,988,000* of which $22,748,000* or some 17 per cent came from sales of merchandise.

Many of the establishments in Table 6 would sell petroleum and T.B.A. products. However, the majority of those which could be classed also as "service stations" would be included

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* From Dominion Bureau of Statistics, 1951 Census of Canada, Vol. VIII, Wholesale Trade and Services. See Tables 21 and 31.

in service and storage garages and parking lots. Merchandise sold by these garages and parking lots would probably be mostly petroleum rather than T.B.A. products.

Although the data presented above shed considerable light on the retail sales of automotive products, it is apparent that there are difficulties which make it impossible to determine accurately the relative significance of service stations as retail outlets for each of the service station products. Nevertheless, despite the unsatisfactory nature of these data there are a few points which may be noted. Returns from the 21 oil companies and gasoline distributors reporting such information in the 1953 questionnaire indicated that there were at least 32, 424 service stations in Canada selling brand gasoline and petroleum products as of January 1, 1951. If all the stores in the different classes of retail outlets listed in Table 5 as selling gasoline, actually sold brand gasoline and petroleum products, the total would be 24, 960 establishments. If all the establishments in the automotive service groups listed in Table 6 and suggested as likely to be gasoline dealers, i.e., service and storage garages and parking lots, actually were dealers for brand petroleum products, the total would be 3, 694 establishments. The total of such retail and service outlets is only 28, 654 which is substantially below the total reported by the oil companies. It appears likely that additional service stations would be found associated with such businesses as hotels and motels, taxi companies and amusement and recreational enterprises. Furthermore, there may be service station dealers in other classes of retail trade where the value of their business in petroleum and other automotive products is too low to permit its classification by the Bureau. An alternative possibility is that a number of gasoline outlets failed to report to the Bureau. It appears that all such dealers must total a number greater than the indicated 3, 770, because, as suggested before, there must be some among the 28, 654 establishments referred to above which do not sell gasoline or petroleum products.

Using the information on the retail markets for gasoline cited above, the following conclusions about the significance of service stations in retail sales of gasoline may be drawn. If a gross margin of 25 per cent is assumed as the average mark-up that service station dealers obtain on the tank wagon price, then the sales of gasoline of $403, 713, 000 in 1951 noted in Table 5, would represent sales of approximately $322, 975, 000 at tank wagon prices. Tank wagon prices are the prices used by the Dominion Bureau of Statistics to determine the value of annual shipments of gasoline by the refineries. The domestic market for automotive gasoline at the producers' level is estimated, from Table 1 and 2, to have amounted to $331, 590, 000 in 1951. Thus the cost of sales at retail of $322, 975, 000 would be over 97 per cent of the estimated producers' market. This is undoubtedly too high an estimate of the proportion

accounted for by service stations,* having in mind such consumers as industrial and other direct buying accounts. However, the evidence adduced below (p. 54) as to the importance of lessee operated service stations in the sales of automotive petroleum products in comparison with other dealers and the probability that such stations would be included in the data in Table 5, suggests at least that the retail sales reported by the Bureau cover the most important retail outlets.

It will be noted from Tables 1 and 2, that the estimated total sales of gasoline at tank wagon prices for 1955 and 1956 amounted to $527, 132, 000 and $576, 606, 000 respectively. There are no Dominion Bureau of Statistics data for retail gasoline sales for these years. However, the figures may be compared with the value of sales of automotive gasoline for the same two years respectively of $519, 230, 000 and $583, 546, 000 which were compiled from the returns of the principal distributors. These are total sales of gasoline by these oil companies and are considerably greater than the figures of $311, 745, 000 and $348, 278, 000 for sales to service stations in the same two years. The principal distributors' sales to small jobbers who, in turn, sell to service stations, would not be included in the lower figures.

While it may be concluded that the retail sales figures cited for gasoline in Table 5 represent almost all retail sales (although not necessarily the sales of so high a proportion of service stations), it is necessary to be cautious in applying the same reasoning to the data for other petroleum and T.B.A. products in spite of apparent similarities in distribution methods.

C. Relationships between Automotive Products Manufacturers and Suppliers and Oil Companies and their Service Station Networks

The nature of the market access agreements between the manufacturers and wholesalers of automotive products on the one hand and the principal distributors on the other, and the nature of the distributors' directed buying policies have already been discussed and some indication has been given of the aggregate amount of trade involved. It is intended in this section to present some of the salient aspects of these agreements which appear in the detailed discussion in Chapter V where their relative importance to each distributor's operations is studied. In Appendix X sample copies of market access agreements are set out and parties to such agreements with respective distributors are listed.

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* The retail margin of 25 per cent used to determine the value of $322, 975, 000 may be lower than the actual average margin obtained.

Market access agreements have been signed by only a comparatively small number of the manufacturers and wholesalers of service station products. Nevertheless, the amount of business done under these agreements is substantial. Moreover, it is important to note the kind and size of the companies which have executed these contracts. For example, the largest manufacturers of tires and tubes, with national and international reputations, have made agreements covering sales not only of the manufacturers' own products but also other service station products dealt in by the same manufacturers as wholesalers. These particular agreements relate to service station networks embracing over 60 per cent of the service stations of the principal distributors in Canada. Likewise a number of the largest storage battery manufacturers make use of these agreements. Thus, these agreements are particularly important in the trade in certain products such as tires and tubes and they also affect other products through the extensive nature of the operations of the manufacturers. Some wholesalers without agreements participate indirectly in battery manufacturers' agreements by reporting to the manufacturers their sales to service station dealers.

It is apparent that while the business done under agreements may be substantial, agreement sales would not be a very large proportion of the aggregate sales of all service station products to retail dealers, and particularly service station dealers. However, the volume of agreement sales in 1956 showed a marked increase over the previous year. A factor which may affect this trend is the growing number of principal distributors who are undertaking their own T.B.A. programs or expanding existing ones and, therefore, would be relying less on market access agreements. The effects of these developments may not follow a uniform pattern. Because of the increasing interest of principal distributors in the distribution of T.B.A. products and because of the increasing popularity or importance of certain products, for example waxes and finishes, interest in agreements could be increasing in sections of the trade concerned with particular commodities while elsewhere they may be of minor consequence.

The size of the commissions paid under market access agreements to principal distributors varies. Where the agreement is with a manufacturer, rates as high as 15 per cent of the net value of sales to the station dealers are reported and rates of 10 per cent are common. Where the agreement is with wholesalers the rates are usually much lower, commonly 6 per cent. Commission payments by a wholesaler may average higher as a percentage of sales under agreements where such wholesaler pays the commission granted by some of the manufacturers. In these instances the wholesaler is reimbursed by the manufacturer.

As stated in the definition, market access agreements, when executed, provide the secondary supplier in effect with exclusive or preferred access to a captive market made up of the controlled service stations* in the principal distributors' network. In return for the commission paid, the principal distributors' sponsorship of products of a certain manufacturer or wholesaler is expected and the principal distributor usually undertakes to assist the manufacturer's or wholesaler's salesmen in gaining the service station dealers' consent to buy the agreed-upon service station products from the recommended company. Training assistance is also supposed to be given by some oil companies to these salesmen. The means used to persuade dealers to follow the principal distributor's directed buying policy and to buy from recommended sources, vary both in nature and degree of application. They depend in part on the actual contractual arrangements existing between the distributor and its dealers, in part on the merchandising policies of the distributor in such matters and in part in variations in the application of these policies by district supervisors. On the one hand some principal distributors appear to follow in practice quite firm policies in the enforcement of their part in the market access agreements. On the other hand, in some instances it appears that these agreements may have little force. Commonly, independent, brand stations which are free of control by the principal distributor are but lightly affected if at all.

Exclusive full-line forcing policies of the principal distributors have important effects on the distribution methods of manufacturers of products competing with those of the oil companies. As discussed in detail in Chapter V, these policies may operate so as to inhibit or, in effect, preclude access to the distributors' service station networks, by such manufacturers or wholesalers of such products. Exclusive full-line forcing policies appear to be more strongly enforced by principal distributors than are directed buying and market access agreements.

It is important to emphasize that from the viewpoint of the manufacturers and wholesalers, these policies and agreements will be effective in curtailing their entry to the service station market only to the extent that the oil companies can and do enforce them, and that the service station operators abide by or flout such

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* Controlled service stations are those over which the principal distributor can exercise control and include those which are operated, leased, or financially assisted by the distributor. A degree of control extends to those independent, brand stations whose equipment is acquired on loan or conditional sale from the principal distributor.

direction. This issue is discussed in greater detail in subsequent chapters.

None of the returns of the manufacturers or wholesalers indicated that market access agreements similar to those in effect with principal distributors had been executed by any supplier with any other companies. Market access agreements appear to have developed in connection with the service station market and as a result of the nature and structure of that market.

D. Market Access Commissions

It is clear from the previous discussion that the commissions paid under market access agreements are not in any way trade or volume discounts of the kind regularly granted to wholesalers or dealers. They are sometimes referred to as "sales", "merchandising" or "overriding" commissions by some manufacturers. They are, in fact, a commission paid to the principal distributor over and above any or all other trade or volume discounts which may be associated with the distribution of the commodity or commodities involved, and the commission is usually paid on the net value of sales made to the service station dealer. To the extent that a distributor's representatives do spend time and money "selling" a service station dealer on buying the particular commodities or buying from a particular source, the commission may be likened to a sales commission. But where the commission is merely required from the manufacturer or wholesaler to facilitate or permit access to a captive market under the principal distributor's control, it would appear to be more in the nature of a fee exacted in return for granting a privilege and the rate of commission determined may well be a measure of the significance and control of the market affected. Although the ultimate size of the commission payments does depend on the volume of business done under the agreements, the commission is not like a volume rebate or quantity discount used to encourage greater sales effort or granted because unit costs associated with a given order will be lower, thus warranting a lower price.

CHAPTER III

DISTRIBUTION OF AUTOMOTIVE PETROLEUM PRODUCTS

A. Distributors of Automotive Petroleum Products to Service Stations

Based on information about operating oil companies obtained from the Dominion Bureau of Statistics and the Department of Mines and Technical Surveys, questionnaires were sent to 41 oil companies during 1953 and 1954. These companies appeared to be engaged in the refining and/or wholesale distribution of automotive petroleum products in Canada. Subsequent questionnaires were sent to 25 of these companies in 1956. In 1958 a further questionnaire was sent to those oil companies which had previously indicated they sold to retail outlets, and to some additional companies about which information had been received; in total, 35 companies were sent this questionnaire. Thirty-three of these companies have been grouped as the principal distributors of petroleum products for purposes of this inquiry. They are:

Anglo American Exploration Ltd.
Anglo-Canadian Oils Ltd.(1)
B.P. (Canada) Ltd.
British American Oil Co. Ltd.
Canadian Oil Companies Ltd.
Canadian Petrofina Ltd.
Champlain Oil Products Ltd. (2)
Cities Service Oil Co. Ltd.
Federated Co-operatives Ltd.
P.M. Fleming Ltd. (3)
General Oil Co. Ltd.
Great West Distributors Ltd. (1)
Home Oil Distributors Ltd. (2)
Husky Oil and Refining Ltd.(4)
Imperial Oil Ltd.
Irving Oil Co. Ltd.
Joy Oil Co. Ltd.
Lion Oil Co. Ltd.
North Star Oil Ltd. (5)
Planet Oil Ltd. (3)

Radio Oil Refineries Ltd.
Regent Refineries (Canada) Ltd. (6)
Reliance Petroleum Ltd. (7)
Royalite Oil Co. Ltd.
Shell Oil Co. of Canada Ltd.
Standard Oil Co. of British Columbia Ltd.
Sun Oil Co. Ltd.
Supertest Petroleum Corp.
Texaco Canada Ltd.
United Farmers of Alberta Co-operative Ltd.
Vigor Oil Co. Ltd. (8)
Wainwright Refineries Ltd.
The Western Oil Co. Ltd. (1)

(1) Subsidiary of B.A.
(2) Subsidiary of Imperial
(3) Acquired by B.P.
(4) Wholly owned subsidiary of Canadian Husky Oil Ltd.
(5) Acquired by Shell
(6) Subsidiary of Texaco Canada
(7) Reported in the press (March 1959) that marketing facilities of Reliance have been consolidated with Supertest.
(8) Acquired by Murphy-Canada Oil Company, El Dorado, Arkansas.

Where a company distributes to retail outlets and to commercial and industrial accounts from a refinery or bulk plant, it is sometimes referred to as operating at the "local wholesale" or "tank wagon" level. Where a company is transferring refined products to refinery-owned bulk storage plants, or is selling to large industrial or commercial accounts or to independent distributors in the local wholesale market, it is sometimes referred to as operating at the "refinery wholesale" or "tank car" level. Table 7 shows the levels of the wholesale refined gasoline market at which the principal distributors and certain other oil companies are operating. In some instances the classification of a company has had to be made somewhat arbitrarily on the basis of a minimum of information. Moreover, it should be noted that certain companies which had no refining facilities when the 1958 questionnaire was sent out have been reported in the press as having begun construction of refineries.

Table 7

Levels of Wholesale Refined Petroleum
Market at which Oil Companies are Operating

Oil Company	Refinery Wholesale Level	Local Wholesale Level
Anglo American Exploration Ltd.	*	*
Anglo-Canadian Oils Ltd.(1)	*	*
BP (Canada) Ltd.(2)		*
British American Oil Co. Ltd.	*	*
Canadian Oil Cos. Ltd.	*	*
Canadian Petrofina Ltd.	*	*
Champlain Oil Products Ltd.(3)		*
Cities Service Oil Co. Ltd.	*	*
Excelsior Refineries Ltd.	*	
Federated Co-operatives Ltd.	*	*
P.M. Fleming Ltd.(4)		*
General Oil Co. Ltd.		*
Great West Distributors Ltd.(1)		*
Home Oil Distributors Ltd.(3)		*
Husky Oil and Refining Ltd.	*	*
Imperial Oil Ltd.	*	*
Irving Oil Co. Ltd.(2)		*
Joy Oil Co. Ltd.		*
Lion Oil Co. Ltd.		*
Maple Leaf Petroleum Ltd.(3)	*	
New Brunswick Oilfields Ltd.	*	
North Star Oil Ltd.(5)	*	*
Northern Petroleum Corp. Ltd.	*	
Planet Oil Ltd.(4)		*
Radio Oil Refineries Ltd.	*	*
Regent Refineries (Canada) Ltd.	*	*
Reliance Petroleum Ltd.(6)		*
Royalite Oil Co. Ltd.	*	*
Shell Oil Co. of Canada Ltd.	*	*
Standard Oil Co. of B.C. Ltd.	*	*
Sun Oil Co. Ltd.	*	*
Supertest Petroleum Corp.		*
Texaco Canada Ltd.	*	*
United Farmers of Alberta Co-operative Ltd.		*
Vigor Oil Co. Ltd.(7)		*
Wainwright Refineries Ltd.	*	*
The Western Oil Co. Ltd.		*
Pacific Petroleums Ltd.(8)	*	

(1) Subsidiary of B.A.
(2) Refinery under construction
(3) Subsidiary of Imperial
(4) Acquired by BP
(5) Acquired by Shell
(6) It was reported in the press (March, 1959) that the marketing facilities of Reliance and Supertest had been consolidated and Supertest products would be distributed through Reliance service stations and bulk plants.
(7) Acquired by Murphy-Canada Oil Company, Ed Dorado, Arkansas
(8) The Company may also operate at the local wholesale level.

The companies whose operations are confined almost exclusively to the refinery wholesale level are small refiners whose output is sold in bulk to distributors or large consumers.* Maple Leaf Petroleum Limited is a wholly owned subsidiary of Imperial Oil Limited and is included in this class because it distributes to the bulk storage plants of United Farmers of Alberta Co-operative Limited. Its activities are those of a distributor for Imperial as it does not operate a refinery. In some instances, these companies supply one or two retail outlets which are usually company-owned and operated, and are commonly merely dispensing pumps at or near the companies' plants.

In Table 7 are included companies which operate a total of 42 refineries in Canada. The following is a list of the refining companies with their percentage of Canadian refining capacity as of 1958 [5, Appendix E, Table M]:

Imperial	38.5%
B.A.	17.7
Texaco Canada	11.0
Shell	9.8
Canadian Petrofina	3.5
Canadian Oil	3.3
Cities Service	2.4
Standard	2.2
Royalite	2.0
Consumers' Co-operative Refineries Ltd. (1)	1.9
Sunoco	1.8
North Star (2)	1.8
Husky	1.8
All Others (3)	2.4

(1) Subsidiary of Federated Co-operatives Ltd.
(2) Acquired by Shell
(3) Excelsior Refineries Ltd.; New Brunswick Oil Fields Ltd.; Northern Petroleum Corp. Ltd.; Wainwright; Anglo-Canadian; Pacific Petroleums Ltd.; Anglo American

Over 87 per cent of Canadian refining capacity is operated by companies which are subsidiaries of foreign oil companies. In January 1959 the number of refineries by provinces, which are listed in order of total daily capacity, was as follows:

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* Returns of Information 1953, and D.B.S. The Petroleum Products Industry, 1956.

Quebec, 5, 264,800 barrels/day; Ontario, 7, 228,822 barrels/day; British Columbia, 6, 96,750 barrels/day; Alberta, 10, 85,290 barrels/day; Saskatchewan, 8, 67,875 barrels/day; Nova Scotia, 1, 49,000 barrels/day; Manitoba, 3, 33,220 barrels/day; North West Territories, 1, 1,350 barrels/day; New Brunswick, 1, 300 barrels/day.*

Canadian refiners obtain their crude oil supplies from domestic and foreign producers. Many refiners have their own sources of supply in Canada and, through corporate inter-relationships, in foreign countries. In 1958, refineries in British Columbia, Alberta, Saskatchewan, Manitoba and the North West Territories drew their supplies of crude from domestic sources. Refineries in Ontario obtained all but 5 per cent of their supplies from domestic wells. About half of the imported crude came from the United States and about half from the Caribbean and the Middle East. Texaco Canada, B.A. and Sunoco were the importing companies. Quebec and Nova Scotia refineries used Venezuelan and Middle East crude oil entirely. Companies operating refineries in Quebec and Nova Scotia are Imperial, B.A., Canadian Petrofina, Texaco Canada and Shell. The small New Brunswick refiner obtained its crude from a local oil field. Imports of crude oil in 1958 amounted to 285,000 barrels per day or about 44 per cent of total crude supply. Exports of crude oil from Canada were a little less than one third the volume of imports in 1958. [5, 2-12 to 2-17]

The principal distributors listed above are directly associated with the vast majority of service stations in Canada. Although detailed information was not obtained on sources of supply of independent non-brand service stations, it is known that most of these obtain their gasoline directly or indirectly from the major oil companies. Since the initiation of this inquiry, B.P. (Canada) Limited began the organization of retail distribution facilities in Canada and has acquired the businesses of a number of small independent distributors in Quebec and Ontario such as Lake St. John Distributing Company, P.M. Fleming Limited, Barrington Petroleum Products Limited and Planet Oil Limited. Where possible such developments have been taken into account in this Statement. Although some small distributors supplying a small number of service stations may not have been included in this inquiry, it is unlikely that their omission seriously affects the analysis or the

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* From 5, 4-18 and 4-22; and Department of Mines and Technical Surveys - <u>A Survey of the Petroleum Industry in Canada, 1957 and 1958</u>

statistics that have been compiled.

The 1958 questionnaire requested information about the number of retail outlets being supplied with brand petroleum products by principal distributors as of December 31, 1957. These stations totalled 36, 471. The detailed data appear in Table 8 below, p. 37. The four largest service station networks accounted for almost 60.4 per cent of the total. They were Imperial, 23.73 per cent; The British American Oil Company Limited, 17.73 per cent; Texaco Canada Limited, 10.95 per cent; and Canadian Oil Companies Limited, 8.0 per cent. If, to these four companies are added the stations of their controlled subsidiaries, the total accounted for is just under 65.5 per cent. The subsidiaries included are: for Imperial - Champlain Oil Products Limited and Home Oil Distributors Limited; for B.A. - Western Oil Company Limited, Great West Distributors Limited and Anglo-Canadian Oils Limited and for Texaco Canada - Regent Refineries (Canada) Limited. The next four largest companies accounted for almost 20.1 per cent of service stations. They are Irving Oil Company Limited, 5.83 per cent; Shell Oil Company of Canada Limited, 5.31 per cent; Supertest Petroleum Corporation Limited, 4.92 per cent; and Canadian Petrofina Limited, 4.04 per cent. The next seven companies accounted for just over 12.0 per cent of service stations. They are North Star Oil Limited, 2.81 per cent;* Cities Service Oil Company Limited, 1.83 per cent; Reliance Petroleum Limited,* 1.72 per cent; Sun Oil Company Limited, 1.69 per cent; Anglo American Exploration Limited, 1.46 per cent; Standard Oil Company of British Columbia Limited, 1.43 per cent, and Royalite Oil Company Limited, 1.10 per cent. Thus the service stations selling the brand automotive petroleum products of the fifteen* largest companies, together with their subsidiaries, comprise an estimated 97.6 per cent of the retail gasoline outlets in Canada.

B. Historical Development of Distribution of Automotive Petroleum Products

The figure of close to 36, 500 service stations in Canada selling branded petroleum products which was mentioned above, is an indication of the extensive growth in such retail facilities since Imperial opened what is considered to be the first service station in Canada, in 1908 [15, p. 16-21]. To meet the needs of the

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* North Star has been acquired by Shell, and Reliance has consolidated its marketing facilities with Supertest thereby reducing the fifteen companies to thirteen.

increasing number of motorists on rapidly expanding highway systems, retail outlets have increased in number, size and range of products and services offered. The old "filling station", which handled only automotive petroleum products, has generally evolved into the modern "one-stop" service station where, at a single stop, the motorist may obtain tires, batteries, accessories and other products, and service in addition to petroleum products. Distributors of automotive petroleum products (frequently oil refining companies) have promoted this expansion. Most of them have established networks of retail outlets or service stations affiliated or associated with them by ties of ownership, mortgage, lease, or other arrangement, in order to assure a certain market for their products. Comparative statistics for 21 oil companies which accounted for 97.6 per cent of service stations in 1958 are available for the period January 1, 1951 to January 1, 1958. These data are shown in Table 11 below, p. 43. These indicate that the total number of these companies' stations increased from 32,263 to 35,599 during the period, that is by 10.3 per cent. Motor vehicle registrations for 1957 showed a 57 per cent increase over registrations in 1951.*

Associated with the principal distributors, in the expansion of the service station as a channel of distribution of automotive products to the motoring public, have been the manufacturers and wholesale distributors of those non-petroleum automotive products which the motorist now expects to buy in service stations. Also a factor of course has been those smaller companies which produce certain brand petroleum products in competition with the principal distributors. The relationships between manufacturers and wholesalers of automotive products and the principal distributors are studied in greater detail below. At this point the following extracts from replies to wholesalers' questionnaires provide a perspective on the expansion of the service station trade and the distribution of automotive products to the public.

(1) Bennet & Elliott Limited, Toronto, Ontario

> "For your information the retail service station is of utmost importance to the car owner. Not because the car owner must have gasolene but because he needs service. Where else can you go and get a flat fixed, buy a battery or a new tire at night or on Sunday? Not from the car dealer, nor from the small garage man because he is closed after working hours. It

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* The Dominion Bureau of Statistics' publication, The Motor Vehicle, 1958, showed 1951 and 1957 motor vehicle registrations totalling 2,872,420 and 4,497,091 respectively.

is imperative that some kind of service be maintained at all times for our tourist trade as well as emergencies to our own public. Furthermore their necessity today is probably more important than at any time previous and here is the reason.

The car dealer who during the war sold no new cars maintained himself by his service and stayed in business. Today he has sold so many cars during the past few years that you cannot get your car serviced there without a previous appointment. This is because although he has put thousands of cars on the street he has not enlarged his facilities. If the gasolene retailers went out of the accessories and small repair business the present facilities of other outlets such as car dealers and independent garagemen could never begin to take care of the demand for service and our entire transportation service would completely break down."

(Exhibit G 38)

(2) Maurice Rousseau Compagnie Limitee, Quebec, P.Q.

In translation from the French original:

". . . moreover, we must consider that in the city what we call a service station is not exactly the same kind of station as a service station outside the city or in the suburbs, which is rather a garage operator making general repairs but having pumps and being busy besides with repairs, especially with the sale of gasoline, oil, greases, etc. . . ."

(Exhibit D 129)

(3) John Millen & Son Limited, Montreal, P.Q.

"In the opinion of the undersigned, and more so in Metropolitan areas than anywhere, lessee operated service stations are becoming more and more of a factor in the automotive business at the consumer level, taking over jointly from independent garages and car distributors.

Where the undersigned ten years ago would never have dreamed of taking his car into a service station for such jobs as brake or clutch replacement, small body work, major tune up and numerous other items, at the present time he would only bring his car into a car dealership if it were under warranty, and would only bring it into an independent garage if it had had a major smash.

Car dealers in particular have their own troubles undoubtedly, but it would appear that the consumer can buy practically any service cheaper from a service station, if qualified, than from a car dealer."

(Exhibit D 132)

(4) Mercier Motor Supply Limited, Montreal, P.Q.

In translation from the French original:

". . . In my view the service station is the link of the chain that gives that security to the driver who travels a lot because he knows that wherever he will go he can depend on such and such a company because it has a good past to prove it. . . ."

(Exhibit D 86)

(5) J. W. McGrath, Ltd., St. John's, Nfld.

"In reply I would say that the retail service stations are most important as channels of distribution to the consuming public, and irrespective of who the automotive wholesalers might be, whether it be like ourselves, or be it the Oil Companies, or be it the automobile manufacturers, in any event the retail service station is, in those areas where they operate, the most important outlet in automotive products."

(Exhibit D 28)

(6) Loveseth Limited, Edmonton, Alberta

"Retail service stations are becoming more and more important all the time as channels of distribution to the consuming public. This we believe to be caused by the fact that the number of automotive car dealerships are not increasing at a rate sufficiently fast to meet the demands of the motoring public. Hence some other source for service must be made available and the major oil companies have seen fit to provide a vastly increased number of outlets to take care of, initially at least, the minor road service.

This minor road service is gradually being expanded by some of the better operators into major tune up, brake, steering and related types of service. So today the ordinary service

station is becoming in fact a sort of service center in many communities where the average car owner looks to the service station operator for practically all of his requirements."

(Exhibit D 120)

(7) Motor Car Supply Company of Canada Limited, Calgary, Alberta

". . . Our Company commenced business in 1912 as an Automotive Wholesaler and at that time the Service Stations, as we know them today, were not in existence. The channels of distribution to the consuming public were through general Garages.

It took many years before the Oil Companies actually went into the business of having Service Stations, and then when they did they allowed Automotive service to be given as well - i.e. major repairs were carried out in these Service Stations,

Then, as the years went along, and the population grew and competition among Oil Companies became keener, actual Service Stations were set up on the pattern followed in the United States. Few of the Oil Companies allowed the Service Station operator to do other than very light service work in their respective Service Stations, and I believe they held that the heavier mechanical work at such Service Stations detracted from the sale of gasoline and oils, in which, of course, the Oil Companies were only interested.

Now, with the tremendous increase in the numbers of Service Stations, the Oil Companies are having difficulty securing lessees to operate them. They are becoming more lenient again in that, we understand, they are allowing their Service Station operators to do other service work. We mention these points to bring out the fact that the importance of the Service Station to the Automotive Wholesaler depends a lot on the policy of the Oil Companies."

(Exhibit D 2)

(8) Bowman Brothers Limited, Saskatoon, Sask.

"Pattern of retail sales in Saskatchewan, and indeed in Western Canada, we believe is different than many other parts of Canada. In Saskatchewan particularly in the rural areas, retail outlets for gasoline are usually also car and implement dealers. The increasing mileage of paved highways that we

have in the province are causing the trend in the direction of service stations that do not have car dealership and implement agencies tied to them. However, at the present time, the major portion of gasoline sales in rural Saskatchewan is through other than straight service station outlets. In urban Saskatchewan, there are of course more straight service stations than the rural portion of our province but here again the trend is toward more straight service station operation. . . ."

(Exhibit D 22)

(9) Gillis & Warren Limited, Winnipeg, Manitoba

"Replying to paragraph four of your letter, I would like to voice my opinion that the 'corner service station' is rapidly becoming a major factor in the distribution of automotive goods and services to the consuming public, particularly in urban areas. In our own Province, this seems to be particularly true in the Greater Winnipeg area, and to a lesser extent in the smaller cities, with the effect that the smaller the city, the less influence the retail service station has on the distribution of goods to the consumer. The influence of the service station in the smaller centers is, however, gradually increasing as the oil companies increase the outlets for their products along our major highways. It is my impression that this trend, both in urban and rural areas, is apparent to all phases of the automotive wholesale trade, and, generally speaking, in my opinion, is a healthy condition from the point of view of the manufacturer, the distributor, the service station operator, and the consuming public."

(Exhibit D 107)

(10) Russell, Willis & Crispo, Limited, Toronto, Ontario

"Perhaps the importance of the Automotive Wholesaler in the Automotive Aftermarket has been overlooked. Up until 1935 the Wholesalers introduced many items which later became standard equipment on cars and trucks and while this phase of our function has to some degree passed we still are introducing new lines and new equipment for the proper safety and servicing of Automobiles, Trucks and off the Road Equipment. We are expected to be in a position to service vehicles and engines fifteen or more years old."

(Exhibit D 81)

These opinions have been drawn from managers of automotive wholesale companies in all parts of Canada. The last

extract tends to highlight the importance of the automotive wholesale in this trade which seeks to satisfy consumer demand for an extensive and constantly expanding range of products which are drawn from mar suppliers. Continuing developments in motor vehicles and manufactu ers' promotion of course create the demand.

The full-line forcing policies referred to in Chapter I are almost universally practised by the principal distributors throughout their service station networks in connection with their automotive petroleum products. Full-line forcing was not always characteristic of the automotive petroleum products market. It was in the 1930's that the "100% accounts" were actively promoted by the oil companies in the United States and apparently in Canada also. These were accounts where the dealers entered exclusive dealing arrangements with respect to the automotive petroleum products of their particular gasoline supplier [1, pp. 160, 167 and 178; 4, p. 39] , in contrast with what were known as "split accounts" which handled the products of more than one gasoline supplier. It is unlikely that there are more than a very few split accounts operating in Canada today. Among the chief advantages of "100% accounts" to the principal distributors are said to be the provision of an assured market and economies of distribution and promotion; unit delivery costs, for example, probably would be lower as unit deliveries would be larger. Some of the benefit, it is said, accrues to consumers. However, such advantages may be offset by additional costs incurred in non-price rivalry which such a distribution system encourages among principal distributors in the marketing of their products. [2, Pt. II, Chapter VIII; 3, Chapter V]

C. Classes of Service Station

Table 8 shows the classes and numbers of service stations supplied with brand petroleum products by the 33 principal distributors in 1958. Percentage equivalents appear in Table 9. Table 10 provides numerical data for the same classes of stations for 23 of the principal distributors for the years 1951, 1953 and 1955. The service stations are affiliated to their distributors by ownership, contract, or convention and operate under the distributors' symbols, signs, and colours. A more detailed treatment of the agreements and arrangements linking them to one or another of the principal distributors is provided below. At this point it is desirable to note that the retail gasoline market is characterized by a relatively small number of service station networks operated by the principal distributors. The market is organized in large measure around the operations of these distributors which may be national, regional or largely local in character.

Table 8

Service Stations of Principal Distributors, by Provinces and Class of Station, January 1, 1958[1]

Distributor	Number, by Provinces										Number, by Class of Station						
											Company Operated	Lessee Operated	Financially Assisted	Independent, Brand Dispensing Equipment		Total Stations	Per cent of Grand Total
	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.				Loaned	Own		
Imperial	231	121	449	422	1,803	2,256	642	1,117	982	630[2]	1	1,184	1,365	3,614	2,489	8,653	23.73
Champlain	-	-	-	-	570	63	-	-	-	-	-	138	122	373	-	633	1.74
Home	-	-	-	-	-	-	-	-	-	331	-	103	128	-	100	331	0.91
B.A.[3]	71	16	97	206	1,123	2,116	484	936	840	576	42	1,076	723	2,966	1,658	6,465	17.73
Great West[4]	-	-	-	-	-	-	-	-	245	-	-	22	36	-	187	245	0.67
Anglo-Canadian	-	-	-	-	-	-	106	9	-	-	28	-	16	3	68	115	0.32
Western	-	-	-	-	-	-	-	24	-	-	-	1	1	1	21	24	0.07
Texaco Canada	-	35	197	175	1,013	1,429	266	280	358	240	-	1,499	626	1,663	205	3,993	10.95
Regent	-	-	-	-	1	491	-	-	-	-	1	185	25	277	4	492	1.35
Canadian Oil	-	45	139	164	601	1,356	173	180	261	-	-	836	527	1,556	-	2,919	8.00
Irving	90	78	687	590	680	-	-	-	-	-	-	408	294	935	488	2,125	5.83
Shell	-	-	-	-	565	866	-	-	53	454	147	680	369	602	140	1,938	5.31
Supertest	-	-	-	-	468	1,328	-	-	-	-	1	640	342	809	4	1,796	4.92
Canadian Petrofina	-	6	260	136	586	487	-	-	-	-	3	950	207	315	-	1,475	4.04
North Star	-	-	-	-	-	114	351	327	224	9	-	196	140	78	611	1,025	2.81
Cities Service	-	-	-	-	40	628	-	-	-	-	3	208	20	433	4	668	1.83
Reliance[5]	-	-	-	-	-	628	-	-	-	-	-	255	131	242	-	628	1.72
Sunoco	-	-	-	-	124	491	-	-	-	-	6	345	-	264	-	615	1.69
Anglo American	-	-	-	-	-	-	-	200	319	15	-	145	126	10	253	534	1.46
Standard	-	-	-	-	-	-	-	-	-	522	11	152	247	-	112	522	1.43
Royalite	-	-	-	-	-	-	1	187	96	119[2]	-	145	57	131	70	403	1.10
Fed. Co-op.	-	-	-	-	-	-	53	264	-	-	-	-	75	-	242	317	0.87
P. M. Fleming[5]	-	-	-	-	74	32	-	-	-	-	-	24	14	65	3	106	0.29
United Farmers	-	-	-	-	-	-	-	-	95	-	95	-	-	-	-	95	0.26
Radio	-	-	-	-	-	-	96	-	-	-	1	31	7	23	34	96	0.26
B.P.	-	-	-	-	87	-	-	-	-	-	1	41	24	21	-	87	0.24
Husky	-	-	-	-	-	42	-	20	17	-	1	25	11	23	19	79	0.22
General Oil	-	-	-	-	-	-	23	-	-	-	-	8	2	3	10	23	0.06
Vigor	-	-	-	-	-	22	-	-	-	-	2	16	-	3	1	22	0.06
Lion	-	-	-	-	-	17	-	-	-	-	1	11	5	-	-	17	0.05
Joy	-	-	-	-	-	13	-	-	-	-	-	13	-	-	-	13	0.04
Wainwright	-	-	-	-	-	-	-	-	9	-	-	2	2	4	1	9	0.02
Planet	-	-	-	-	-	8	-	-	-	-	-	8	-	-	-	8	0.02
Totals[3]	392	301	1,829	1,693	7,735	12,387	2,195	3,544	3,499	2,896	344	9,347	5,642	14,414	6,724	36,471	100.00
Per cent of Grand Total	1.07	0.83	5.02	4.64	21.21	33.96	6.02	9.72	9.59	7.94	0.9	25.6	15.4	39.7	18.4	100.0	

(1). Companies arranged in order of importance. Subsidiaries ranked following parent company.

(2). Includes Northwest Territories (8) and Yukon (1) for Imperial and Yukon (1) for Royalite.

(3). It is not clear whether stations for B.A. include the two company operated and four leased stations of Canadian Petroleum Co. Ltd., which was acquired in November, 1957. See footnote p. 181 below.

(4). The stations for Great West have been located in Alberta in this table. However an unknown number are situated in Saskatchewan. To this extent the totals for Saskatchewan and Alberta are in error.

(5). 1956 stations.

Table 9

Service Stations of Principal Distributors, as Percentages by Provinces and Class of Station, January 1, 1958

Distributor	Stations by Provinces										Class of Station				
	Nfld.	P.E.I.	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.	Company Operated	Lessee Operated	Financially Assisted	Independent Brand	All Stations
Imperial	58.9	40.2	24.6	24.9	23.3	18.2	29.2	31.5	28.1	21.8	0.3	12.7	24.2	28.9	23.73
Champlain	-	-	-	-	7.4	0.5	-	-	-	-	-	1.5	2.2	1.8	1.74
Home	-	-	-	-	-	-	-	-	-	11.4	-	1.1	2.3	0.5	0.91
B.A.	18.1	5.3	5.3	12.2	14.5	17.1	22.1	26.4	24.0	19.9	12.2	11.5	12.8	21.9	17.73
Great West(1)	-	-	-	-	-	-	-	-	7.0	-	-	0.2	0.6	0.9	0.67
Anglo-Canadian	-	-	-	-	-	-	4.8	0.3	-	-	8.2	-	0.3	0.3	0.32
Western	-	-	-	-	-	-	-	0.7	-	-	-	(2)	(2)	0.1	0.07
Texaco Canada	-	11.6	10.7	10.3	13.1	11.5	12.1	7.9	10.2	8.3	-	16.0	11.1	8.8	10.95
Regent	-	-	-	-	(2)	4.0	-	-	-	-	0.3	2.0	0.5	1.3	1.35
Canadian Oil	-	15.0	7.6	9.7	7.8	11.0	7.9	5.1	7.5	-	-	8.9	9.3	7.4	8.00
Irving	23.0	25.9	37.6	34.9	8.8	-	-	-	-	-	-	4.4	5.2	6.7	5.83
Shell	-	-	-	-	7.3	7.0	-	-	1.5	15.7	42.7	7.3	6.5	3.5	5.31
Supertest	-	-	-	-	6.0	10.7	-	-	-	-	0.3	6.8	6.1	3.9	4.92
Canadian Petrofina	-	2.0	14.2	8.0	7.6	3.9	-	-	-	-	0.8	10.2	3.7	1.5	4.04
North Star	-	-	-	-	-	0.9	16.0	9.2	6.4	0.3	-	2.1	2.5	3.3	2.81
Cities Service	-	-	-	-	0.5	5.1	-	-	-	-	0.8	2.2	0.4	2.1	1.83
Reliance	-	-	-	-	-	5.1	-	-	-	-	-	2.7	2.3	1.1	1.72
Sunoco	-	-	-	-	1.6	3.9	-	-	-	-	1.8	3.7	-	1.2	1.69
Anglo American	-	-	-	-	-	-	-	5.6	9.1	0.5	-	1.6	2.2	1.2	1.46
Standard	-	-	-	-	-	-	-	-	-	18.0	3.2	1.6	4.4	0.5	1.43
Royalite	-	-	-	-	-	-	0.1	5.3	2.7	4.1	-	1.6	1.0	1.0	1.10
Fed. Co-op.	-	-	-	-	-	-	2.4	7.4	-	-	-	-	1.3	1.1	0.87
P. M. Fleming	-	-	-	-	1.0	0.3	-	-	-	-	-	0.3	0.3	0.3	0.29
United Farmers	-	-	-	-	-	-	-	-	2.7	-	27.6	-	-	-	0.26
Radio	-	-	-	-	-	-	4.4	-	-	-	0.3	0.3	0.1	0.3	0.26
B. P.	-	-	-	-	1.1	-	-	-	-	-	0.3	0.4	0.4	0.1	0.24
Husky	-	-	-	-	-	0.3	-	0.6	0.5	-	0.3	0.3	0.2	0.2	0.22
General Oil	-	-	-	-	-	-	1.0	-	-	-	-	0.1	(2)	0.1	0.06
Vigor	-	-	-	-	-	0.2	-	-	-	-	0.6	0.2	-	(2)	0.06
Lion	-	-	-	-	-	0.1	-	-	-	-	0.3	0.1	0.1	-	0.05
Joy	-	-	-	-	-	0.1	-	-	-	-	-	0.1	-	-	0.04
Wainwright	-	-	-	-	-	-	-	-	0.3	-	-	(2)	(2)	(2)	0.02
Planet	-	-	-	-	-	0.1	-	-	-	-	-	0.1	-	-	0.02
All Distributors	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100

(1) The stations for Great West have been allocated to Alberta in this table. However an unknown number are situated in Saskatchewan. To this extent the percentages for Saskatchewan and Alberta are in error.

(2) Less than 0.05 per cent.

Table 10

Service Stations of Certain Principal Distributors, by Class of Stations,[1] January 1, 1951, 1953 and 1955

Class of Station

Distributor	Company Operated 1951	Company Operated 1953	Company Operated 1955	Lessee Operated 1951	Lessee Operated 1953	Lessee Operated 1955	Financially Assisted 1951	Financially Assisted 1953	Financially Assisted 1955	Independent, Brand 1951	Independent, Brand 1953	Independent, Brand 1955	Totals, All Classes 1951	Totals, All Classes 1953	Totals, All Classes 1955
Imperial	-	-	-	857	875	926	1, 061	1, 218	1, 422	7, 548	7, 059	6, 797	9, 466	9, 152	9, 145
Champlain	-	-	-	109	114	123	41	51	63	403	416	471	553	581	657
Home	-	-	-	76	81	92	103	116	113	156	133	140	335	330	345
B. A.	2	5	4	637	666	719	757	824	903	4, 412	4, 516	4, 648	5, 808	6, 011	6, 274
Great West	-	-	-	16	18	18	12	26	36	137	131	104	165	175	158
Anglo-Canadian	9	14	20	1	1	1	12	12	16	89	94	110	111	121	147
Western	-	-	-	3	3	2	1	1	1	15	14	15	19	18	18
Texaco Canada	-	-	-	508	515	583	398	482	739	2, 655	2, 312	2, 175	3, 561	3, 309	3, 497
Regent	3	6	7	86	92	118	1	8	17	205	229	300	295	335	442
Canadian Oil	-	-	-	306	309	342	450	505	512	2, 935	2, 046	2, 343	3, 691	2, 860	3, 197
Irving	-	-	-	280	295	320	98	125	225	877	1, 080	1, 622	1, 255	1, 500	2, 167
Shell	7	72	42	406	411	517	280	346	399	1, 743	1, 546	1, 388	2, 436	2, 375	2, 346
Supertest	3	2	3	394	418	501	191	253	322	1, 095	1, 080	1, 019	1, 683	1, 753	1, 845
Canadian Petrofina	-	-	-	-	-	117	-	-	50	-	-	160	-	-	327
North Star	-	-	-	99	98	132	105	111	121	702	756	748	906	965	1, 001
Cities Service	2	3	3	130	140	143	5	21	28	430	420	482	567	584	656
Reliance	-	-	-	171	203	222	111	130	140	287	300	269	569	633	631
Sunoco	2	2	3	72	111	212	-	-	16	286	236	247	360	349	478
Anglo American	-	-	-	-	141	150	-	38	47	-	240	261	-	419	458
Standard	6	6	8	86	108	124	194	202	244	148	127	95	434	443	471
Royalite	2	2	2	8	10	20	-	1	10	39	65	112	49	78	144
P.M. Fleming	-	-	-	20	20	24	11	11	11	61	69	55	92	100	90
Radio	-	-	-	22	26	30	8	7	6	39	43	57	69	76	93
Totals	36	112	92	4, 287	4, 655	5, 436	3, 839	4, 488	5, 441	24, 262	22, 912	23, 618	32, 424	32, 167	34, 587
Per cent of Grand Totals	0.1	0.3	0.3	13.2	14.5	15.7	11.8	13.9	15.7	74.9	71.3	68.3	100.0	100.0	100.0

(1). Companies arranged in order of importance as at January 1, 1958 in Table 8.

Note: Data available does not cover all station networks for which data was obtained for 1958.

Four principal classifications of service station are used in this report including Tables 8 to 10. While largely self-explanatory in description, the following are the specific meanings attached to each class:

(a) Company owned and operated: this class includes stations which are the property of the supplying oil company, or leased by it and operated by the oil company, with the operator being an employee of the company.

(b) Lessee operated: this class includes stations owned or leased by the supplying oil company but leased by it to lessee dealers. These dealers frequently must provide some capital investment in the enterprise.*

(c) Financially assisted: this class includes stations to whose operators the supplying oil company has extended direct financial assistance secured by mortgage or otherwise.

(d) Independent, brand stations: this class includes stations whose operators either own the stations or lease them from third parties and which stations dispense and display the brand products of the supplying oil companies. These products are usually purchased under some form of retail dealer agreement signed with the oil company. In a majority of instances the dispensing equipment is obtained under an equipment loan or conditional sale agreement from the oil company, on condition it is used to dispense only the supplying oil company's products.

Company operated service stations constitute a small class. Only sixteen of the principal distributors reported stations in this class at the beginning of 1958. Although they are relatively unimportant in most station networks there are exceptions. All stations of United Farmers were in this class, and 24.3 and 7.6 per cent respectively of the Anglo-Canadian and Shell stations were so classed. Shell operated a number of stations in this group through what the Company terms "commissioned agents". One purpose of the arrangement appears to be to assess the

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* The practice of leasing company owned service stations to lessee dealers is sometimes referred to in the petroleum industry as the "Iowa plan". It was first adopted by Standard Oil Company (Indiana) in 1935 as a means of avoiding chain store taxes in Iowa. [42, p. 45, f.n. 18]

potential of a newly established station and to determine the volume of business that may be expected later from a lessee dealer to whom the station may be leased. The stations can be used also for training purposes.

The decision of a distributor to lease its outlets to lessee-dealers rather than operate them directly appears to depend upon the balancing of a large number of considerations. Taxes may be less when the station is in lessee hands. An operator's wages and various expenses and overhead charges may be greater than the profits available for such operating costs; therefore leasing the station would be less expensive than operating it directly. Certain advantages accrue in the form of good public relations through the provision of opportunities for the operation of stations as small, relatively independent businesses. In addition the lessee is spurred by direct individual enterprise incentives. The company retains a greater measure of control over the premises and, indirectly, over prices of products than when the stations are independently owned, but less than when directly operated. Nevertheless, the company has the same assurance of a market for its products in a lessee operated station as in a station operated directly by the distributor.

There have been financially assisted service stations among the station networks for quite a number of years. The readiness of the supplying oil company to advance money may result from a number of circumstances; the assistance may be the means of ensuring that a certain station continues to deal with the distributor when a competitor's financial aid could be obtained; it may be a means of ensuring continuance of operations and contact with the public at a certain location, perhaps by a specific dealer, when otherwise the station would be closed; it may ensure a certain standard of maintenance and appearance if the money is used for repairs; it may also be the means for a distributor to increase its control over the operations of a dealer because of the full-line forcing and directed buying features of many mortgages. One of the strongest factors which would likely lead to an increase in this class of stations would be an adverse trend in economic conditions.

Independent, brand service stations, although decreasing in relative importance as discussed below, are still the largest class of station. In this inquiry they include that group of stations whose dispensing equipment may be on loan or conditional sale from the supplying oil company, but where the station is not otherwise financially assisted by or connected to the principal distributor. The degree of independence of operators of this class of station is substantially greater than for lessee operated or financially assisted stations. Nevertheless, these stations are almost invariably affiliated with one of the principal distributors by means of express agreements, arrangements or conventions which are discussed in

greater detail below. Despite any contracts, the independent, brand dealer may circumvent the full-line forcing policies of his supplying oil company to a considerable extent particularly if his station site is in a strategic location and another distributor is willing to supply him. Although control by the principal distributor is weakest in this class of station, these stations make it possible for an oil company to maintain a valuable point of contact with the public at a comparatively low cost in areas where capital investment by the distributor in its own stations would not necessarily be warranted by the volume of traffic, for example, in rural areas or small communities, and where the station's operation would in effect have to be subsidized. Moreover, through these independent, brand outlets, it is possible to share in the good-will attaching to another business with which the service station may be associated, such as a car dealership or a repair garage.

D. Relative Importance of Different Classes of Service Station

In Table 11 data are provided on the composition of the increasing total of service stations in Canada with particular reference, of course, to the 21 companies on which the compilation was based. Of interest are the apparent shifts in importance in the different classes of station. Lessee operated stations increased from January 1951 to January 1958 by 116 per cent and, of particular interest, the greater increase in number of such stations was between the beginning of 1955 and the beginning of 1958 when an increase of over 70 per cent may be noted. Stations financially assisted by the oil companies increased during the seven years by 44 per cent. Although not increasing to a very large total, the company owned and operated stations also showed a marked advance, increasing almost six-fold. This increase appears to result largely from increases in service stations of this type operated by Shell and B.A. The independent, brand stations, including those which have dispensing equipment on loan from the supplying oil companies, have shown a considerable decline in the seven year period, decreasing over 14 per cent in number. The sharpest decrease occurred between January 1955 and January 1958.

Changes in relative importance of the four types of stations may be seen by comparing the following percentages for January 1, 1958 with the January 1, 1951, percentages, given in brackets: independent, brand stations, 58.1 per cent (74.9); lessee operated stations 25.7 per cent (13.2); financially assisted stations, 15.5 per cent (11.8); and company owned and operated 0.7 per cent (0.1).

Table 12 shows the changes in lessee operated service stations in the seven years 1951 to 1958 for the 21 companies on which the compilations for Table 11 were based.

Table 11

Changes in Relative Importance of Different Classes of Service Stations[1]
1951 to 1958

Number of Stations and Per Cent of Total

Date	Company Operated No.	Company Operated %	Lessee Operated No.	Lessee Operated %	Financially Assisted No.	Financially Assisted %	Independent, Brand No.	Independent, Brand %	All Classes No.	All Classes %
January 1951	36	0.1	4,245	13.2	3,820	11.8	24,162	74.9	32,263	100
January 1953	112	0.3	4,609	14.5	4,470	13.9	22,800	71.3	31,991	100
January 1955	92	0.3	5,382	15.7	5,424	15.7	23,506	68.3	34,404	100
January 1958	243	0.7	9,168	25.7	5,502	15.5	20,686	58.1	35,599	100

Changes in Number in Period and Per Cent Changes

Period	No.	%	No.	%	No.	%	No.	%	No.	%
January 1951 to January 1953	+ 76	+ 211.1	+ 364	+ 8.6	+ 650	+ 17.0	- 1,362	- 5.6	- 272	- 0.8
January 1953 to January 1955	- 20	- 17.8	+ 773	+ 16.8	+ 954	+ 21.3	+ 706	+ 3.1	+ 2,413	+ 7.5
January 1955 to January 1958	+ 151	+ 164.1	+ 3,786	+ 70.3	+ 78	+ 1.4	- 2,820	- 12.0	+ 1,195	+ 3.5
January 1951 to January 1958	+ 207	+ 575.0	+ 4,923	+ 116.0	+ 1,682	+ 44.0	- 3,476	- 14.4	+ 3,336	+ 10.3

(1). Based on Data for 21 companies comprising 97.6 per cent of total stations in 1958.

Table 12

Changes in Numbers of Lessee Operated Service Stations, 1951 to 1958 for Certain Principal Distributors(1)

Distributor	1951 to 1953	1953 to 1955	1955 to 1958	1951 to 1958
Texaco Canada	+ 7	+ 68	+ 916	+991
Canadian Petrofina	--	+117	+ 833	+950
Canadian Oil	+ 3	+ 33	+ 494	+530
B.A.	+ 29	+ 53	+ 357	+439
Imperial	+ 18	+ 51	+ 258	+327
Shell	+ 5	+106	+ 163	+274
Sunoco	+ 39	+101	+ 133	+273
Supertest	+ 24	+ 83	+ 139	+246
Anglo American	+141	+ 9	- 5	+145
Royalite	+ 2	+ 10	+ 125	+137
Irving	+ 15	+ 25	+ 88	+128
Regent	+ 6	+ 26	+ 67	+ 99
North Star	- 1	+ 34	+ 64	+ 97
Reliance	+ 32	+ 19	+ 33	+ 84
Cities Service	+ 10	+ 3	+ 65	+ 78
Standard	+ 22	+ 16	+ 28	+ 66
Champlain	+ 5	+ 9	+ 15	+ 29
Home	+ 5	+ 11	+ 11	+ 27
Great West	+ 2	--	+ 4	+ 6
Anglo-Canadian	--	--	- 1	- 1
Western	--	- 1	- 1	- 2
Totals	+364	+ 773	+ 3,786	+ 4,923
Per cent Increase in Class Total (2)	+ 8.6	+ 16.8	+ 70.3	+116.0
Per cent Change in All Stations (2)	- 0.8	+ 7.5	+ 3.5	+ 10.3

(1) Based on data for 21 companies comprising 97.6 per cent of total stations in January 1958 .

(2) From Table 11.

Only two companies indicated net decreases in this class of service station over the period. The four companies accounting for 60.4 per cent of all brand service stations in 1958 were among the five with the greatest increases in lessee operated stations. Canadian Petrofina, a recent entrant into the industry ranked second in this listing. The four companies, Texaco Canada, B.A., Imperial and Canadian Oil together accounted for over 46 per cent of the total increase for the 21 companies while the first five accounted for over 65 per cent. For most companies the greater changes in this class of station occurred between January 1955 and January 1958.

Table 13 shows the changes in the importance of lessee operated stations in the station networks of each of the 21 companies used in compiling Table 11, during the seven year period 1951 to 1958. In all but four instances, lessee operated stations comprised a larger proportion of each distributor's network of stations in 1958 than in 1951 and for some companies the change was quite substantial. This is in part, of course, due to decreases in the number of independent, brand stations as well as to increases in lessee operated stations.

Table 14 lists the changes in independent, brand service stations in the seven years 1951 to 1958, for the same 21 companies. For twelve companies net decreases were recorded during the period and for nine companies net increases. Three of the four largest company networks were among the four companies with the greatest decreases; these were Imperial, Canadian Oil and Texaco Canada; Shell was the fourth company. The decreases in these four companies' independent, brand stations greatly exceeded the net decrease for the 21 companies.

Three of the eight largest network operators showed net increases in their independent, brand stations in the seven year period although two reported decreases during the period January 1955 to January 1958. During the last three years of the seven year period, only seven of the 21 companies indicated any increases in this class of station.

Table 15 shows the changes in the importance of the independent, brand service station in the station networks of each of the 21 companies used in compiling Table 11 during the seven year period.

Table 13

Changes in Number of Lessee Operated Service Stations During Period 1951 to 1958 and Relative Importance of Such Stations in Certain Distributors' Station Networks(1)

Distributor	No. of Lessee Operated Stations Jan. 1951	Lessee Operated Stations as Percentage of 1951 Network	Change in Lessee Operated Stations Jan. 1951 to Jan. 1958	Percent Change in Lessee Operated Stations in Period	Lessee Operated Stations as Percentage of 1958 Network
Texaco Canada	508	14.3	+ 991	+ 195	37.6
Canadian Petrofina	(2)	(2)	+ 950	-	64.4
Canadian Oil	306	8.3	+ 530	+ 173	28.6
B.A.	637	11.0	+ 439	+ 69	16.6
Imperial	857	9.1	+ 327	+ 38	13.7
Shell	406	16.7	+ 274	+ 67	35.1
Sunoco	72	20.0	+ 273	+ 379	56.1
Supertest	394	23.4	+ 246	+ 62	35.6
Anglo American	(3)	(3)	+ 145	-	27.2
Royalite	8	16.3	+ 137	+1,713	36.0
Irving	280	22.3	+ 128	+ 46	19.2
Regent	86	29.1	+ 99	+ 115	37.6
North Star	99	10.9	+ 97	+ 98	19.1
Reliance	171	30.1	+ 84	+ 49	40.6
Cities Service	130	23.0	+ 78	+ 60	31.1
Standard	86	19.8	+ 66	+ 77	29.2
Champlain	109	19.7	+ 29	+ 27	21.8
Home	76	22.7	+ 27	+ 36	31.1
Great West	16	9.7	+ 6	+ 38	9.0
Anglo-Canadian	1	0.9	- 1	- 100	0.0
Western	3	15.8	- 2	- 67	4.2
Totals	4,245	13.2	+4,923	+ 116	25.7

(1) Based on data for 21 companies comprising 97.6 per cent of total stations in January 1958.

(2) Company incorporated May 1953.

(3) Company acquired service stations of three small operators in May 1953.

Table 14

Changes in Numbers of Independent, Brand Service Stations, 1951 to 1958 for Certain Principal Distributors[1]

Distributor	1951 to 1953	1953 to 1955	1955 to 1958	1951 to 1958
Imperial	- 489	- 262	- 694	- 1,445
Canadian Oil	- 889	+ 297	- 787	- 1,379
Shell	- 197	- 158	- 646	- 1,001
Texaco Canada	- 343	- 137	- 307	- 787
Supertest	- 15	- 61	- 206	- 282
Home	- 23	+ 7	- 40	- 56
Reliance	+ 13	- 31	- 27	- 45
Standard	- 21	- 32	+ 17	- 36
Champlain	+ 13	+ 55	- 98	- 30
Sunoco	- 50	+ 11	+ 17	- 22
Anglo-Canadian	+ 5	+ 16	- 39	- 18
North Star	+ 54	- 8	- 59	- 13
Cities Service	- 10	+ 62	- 45	+ 7
Western	- 1	+ 1	+ 7	+ 7
Great West	- 6	- 27	+ 83	+ 50
Regent	+ 24	+ 71	- 19	+ 76
Royalite	+ 26	+ 47	+ 89	+ 162
B.A.	+ 104	+ 132	- 24	+ 212
Canadian Petrofina	-	+ 160	+ 155	+ 315
Anglo American	+ 240	+ 21	+ 2	+ 263
Irving	+ 203	+ 542	- 199	+ 546
Totals	-1,362	+ 706	-2,820	- 3,476
Per cent Change in Class Total(2)	- 5.6	+3.1	- 12.0	- 14.4
Per cent Change in All Stations(2)	- .08	+7.5	+ 3.5	+ 10.3

(1) Based on data for 21 companies comprising 97.6 per cent of total stations in January, 1958.

(2) From Table 11.

Table 15

Changes in Number of Independent, Brand Service Stations During Period 1951 to 1958 and Relative Importance of Such Stations in Certain Distributors' Station Networks (1)

Distributor	No. of Independent, Brand Stations Jan. 1951	Independent, Brand Stations as Percentage of 1951 Network	Change in Independent, Brand Stations in Period	Percent Change in Independent, Brand Stations in Period	Independent Brand Stations as Percentage of 1958 Network
Imperial	7,548	79.7	- 1,445	- 19.1	70.5
Canadian Oil	2,935	79.5	- 1,379	- 47.0	53.3
Shell	1,743	71.6	- 1,001	- 57.4	38.3
Texaco Canada	2,655	74.6	- 787	- 29.6	46.8
Supertest	1,095	65.1	- 282	- 25.7	45.3
Home	156	46.6	- 56	- 35.9	30.2
Reliance	287	50.5	- 45	- 15.7	38.5
Standard	148	34.1	- 36	- 24.3	21.4
Champlain	403	73.0	- 30	- 7.4	58.9
Sunoco	286	79.5	- 22	- 7.7	42.9
Anglo-Canadian	89	80.2	- 18	- 20.2	61.7
North Star	702	77.3	- 13	- 1.8	67.2
Cities Service	430	75.9	+ 7	+ 1.6	65.4
Western	15	79.0	+ 7	+ 46.7	91.7
Great West	137	83.0	+ 50	+ 36.5	76.3
Regent	205	69.5	+ 76	+ 37.1	57.1
Royalite	39	79.7	+ 162	+ 415.4	49.9
B.A.	4,412	76.0	+ 212	+ 4.8	71.5
Canadian Petrofina	(2)	(2)	+ 315	-	21.3
Anglo American	(3)	(3)	+ 263	-	49.3
Irving	877	69.9	+ 546	+ 62.2	67.0
Totals	24,162	74.9	- 3,476	- 14.4	58.1

(1) Based on data for 21 companies comprising 97.6 percent of total stations in January, 1958.

(2) Company incorporated May, 1953.

(3) Company acquired service stations of three small operators in May, 1953.

Only one of two companies which were operating in 1951 showed an increase in 1958 in the proportion of their service stations which were independent, brand stations. This situation arose despite that fact that data for only 12 of the companies actually showed any decrease in the number of such stations. The declining importance of the independent, brand station stems not only from changes in the numbers of these stations but from the increasing importance of lessee operated outlets.

Although in Table 11 a substantial increase in financially assisted service stations may be noted during the seven year period, it is not intended to discuss such changes in as great detail as those occurring with lessee operated and independent, brand stations. While it has been necessary to identify this class of station and to note changes in its numbers, these are likely to be determined mainly by economic factors which are unrelated to the principal distributors' full-line forcing or directed buying policies. However, as will be seen later, the mortgages executed between the oil companies and mortgagor dealers frequently increase a distributor's control over these dealers (much as, if not more than, leases do) in comparison with the retail dealer agreements used with independent, brand dealers.

The discussion above on the numerical distribution of lessee operated and independent, brand stations has suggested the relative importance of these two classes of stations within each oil company's retail network and of the direction of changes which have occurred within each class. The data supplied on sales of gasoline through the different classes of station provide a better indication of the significance of each of these two classes. These data are set out in Tables 16 and 17. Although the data for the number of stations in 1955 refers to January of that year and the sales of gasoline for the full year, it is unlikely that changes in numbers of stations would alter the general picture to any great extent. It will be noted in Table 16 that the proportion of gasoline sales made through lessee operated stations exceeded the percentage such stations represented of the station networks for 18 of the 21 companies. In many cases the difference is quite substantial. For example, the lessee operated stations of Royalite made up 13.9 per cent of the Company's stations in January 1955, while the sales of its lessee operated stations comprised 66.8 per cent of its 1955 gasoline sales.

Table 16

Significance of Lessee Operated Service Stations of Certain Distributors as a Distributive Channel for Gasoline[1]

Distributor	Lessee Operated Stations as per cent of Total Stations January 1955	Sales of Gasoline by Lessee Operated Stations as per cent of Sales to All Stations 1955	1956	Lessee Operated Stations as per cent of Total Stations January 1958
Imperial	10.1	35.0	36.0	13.7
B.A.	11.5	41.3	44.3	16.6
Texaco	16.7	54.1	62.9	37.6
Canadian Oil	10.7	28.2	30.6	28.6
Regent	26.7	58.2	59.8	37.6
Western	11.1	1.8	1.6	4.2
Great West	11.4	21.7	24.7	9.0
Anglo-Canadian	0.7	nil[2]	nil	nil
Home	26.7	45.5	47.7	31.1
Champlain	18.7	47.0	45.6	21.8
Irving	14.8	15.0	16.2	19.2
Shell	22.0	55.8	60.4	35.1
Supertest	27.1	51.4	53.2	35.6
Canadian Petrofina	35.8	66.6[3]	70.7[3]	64.4
North Star	13.2	42.3	44.0	19.1
Cities Service	21.8	53.9	60.3	31.1
Reliance	35.2	26.0	26.0	40.6
Sunoco	44.3	69.0	72.0	56.1
Anglo American	32.8	44.6	47.4	27.2
Standard	26.3	38.2	40.8	29.2
Royalite	13.9	66.8	65.4	36.0

(1). Based on data for 21 companies comprising 97.6 per cent of total stations in January, 1958.

(2). Data as supplied by Anglo-Canadian appears open to question.

(3). May include sales of a small number of company operated stations.

Considering the data in Table 17, it will be noted that the percentage of total gasoline sales in 1955 accounted for by sales to independent, brand stations was lower for 19 of the 21 companies than was the proportion of the total station network accounted for by such stations.

Further light is shed on the relative importance of the different classes of service station in the distributors' retail operations by comparing the average unit gasoline sales made by service stations in each class. In Table 18, indexes have been compiled for each class of station based on sales by independent, brand stations which have been given the index value 1.00. For example, with Imperial in 1951 indexes of 6.02 and 2.80 for lessee operated and financially assisted stations mean that the average sales of gasoline by a station in each of these classes was respectively 6.02 and 2.80 times the average sales in independent, brand stations. These indexes for Imperial involved calculations which indicated that on the average 0.0385 cents of every dollar from Imperial's service station sales of gasoline came from each lessee operated station, 0.0179 cents from each financially assisted station and 0.0064 cents from each independent, brand station. Similar calculations for 1951 were made for the service stations in the other oil companies' networks, and for the year 1955 also.

Table 17

Significance of Independent, Brand Service Stations of Certain Distributors as a Distributive Channel for Gasoline[1]

Distributor	Independent, Brand Stations as per cent of Total Stations January, 1955	Sales of Gasoline by Independent, Brand Stations as per cent of Sales to All Stations		Independent Brand Stations as per cent of Total Stations January, 1958
		1955	1956	
Imperial	74.3	42.0	40.0	70.5
B.A.	74.1	50.8	48.4	71.5
Texaco Canada	62.2	31.6	23.0	46.8
Canadian Oil	73.3	37.1	34.3	53.3
Regent	67.9	33.8	32.2	57.1
Western	83.3	87.1	80.3	91.7
Great West	65.8	55.2	54.4	76.3
Anglo-Canadian	74.8	15.7	9.1	61.7
Home	40.6	21.9	21.5	30.2
Champlain	71.7	41.0	41.1	58.9
Irving	74.8	75.0	72.6	67.0
Shell	59.2	22.6	19.9	38.3
Supertest	55.2	26.8	24.0	45.3
Canadian Petrofina	48.9	33.3[2]	29,3[2]	21.3
North Star	74.7	39.5	38.2	67.2
Cities Service	73.5	38.7	34.1	65.4
Reliance	42.6	30.0	33.0	38.5
Sunoco	51.7	28.0	24.0	42.9
Anglo American	57.0	50.4	46.0	49.3
Standard	20.2	11.4	9.7	21.4
Royalite	77.8	20.7	14.9	49.9

(1). Based on data for 21 companies comprising 97.6 per cent of total stations in January 1958.

(2). Includes financially assisted stations.

Table 18

Indexes Showing the Relative Importance of Service Stations in Different Classes based on Average Unit Gasoline Sales(1), 1951 and 1955

Company	Independent, Brand Stations 1951	1955	Lessee Operated Stations 1951	1955	Financially Assisted Stations 1951	1955	Company Operated Stations 1951	1955
Anglo American	nil	1.00	nil	1.54	nil	0.56	nil	nil
Anglo-Canadian	1.00	1.00	2.91	n.a.	1.24	2.30	13.19	27.50
B.A.	1.00	1.00	6.52	5.27	2.83	0.72	15.43	16.50
Canadian Oil	1.00	1.00	2.56	5.22	1.11	4.28	nil	nil
Canadian Petrofina	nil	1.00	nil	3.57	nil	(2)	nil	nil
Champlain	1.00	1.00	6.73	4.38	2.71	2.19	nil	nil
Cities Service	1.00	1.00	4.59	4.70	11.13	2.86	11.10	4.07
F.M. Fleming	1.00	1.00	2.61	3.49	3.17	1.92	nil	nil
General	n.a.	1.00	n.a.	3.24	n.a.	1.96	n.a.	nil
Great West	1.00	1.00	3.69	2.27	2.14	1.21	nil	nil
Home	1.00	1.00	3.27	3.15	2.08	1.84	nil	nil
Imperial	1.00	1.00	6.02	6.25	2.80	2.66	nil	nil
Irving	n.a.	1.00	n.a.	1.02	n.a.	0.96	nil	nil
North Star	1.00	1.00	2.93	6.07	1.42	2.90	nil	nil
Radio	1.00	1.00	2.05	74.34	0.75	6.40	nil	nil
Regent	1.00	1.00	3.88	4.42	4.85	2.81	16.00	3.51
Reliance	1.00	1.00	1.47	1.21	(2)	4.57	nil	nil
Royalite	1.00	1.00	3.19	18.09	nil	6.76	1.13	n.a.
Shell	1.00	1.00	4.39	6.39	1.93	2.89	11.85	2.96
Standard	1.00	1.00	2.90	2.57	2.43	1.49	9.25	6.78
Sunoco	1.00	1.00	3.55	2.87	nil	n.a.	2.73	8.82
Supertest	1.00	1.00	3.86	3.89	2.74	2.53	12.06	4.81
Texaco Canada	1.00	1.00	3.86	6.41	2.22	1.33	nil	nil
Western	1.00	1.00	0.86	0.15	3.46	n.a.	nil	nil

(1) In 1951, based on proportions of total gasoline sales by service stations, no price basis specified: in 1955, based on proportions of gasoline sales to service stations at tank wagon prices.

The proportion of the gasoline sales dollar derived from average unit sales attributable to independent, brand stations, was used as the base for comparison and given the index value of 1.00. Values for the proportion of the gasoline sales dollar derived from average unit sales attributable to each other class of station were calculated accordingly.

(2) Combined with independent, brand stations as separate data not available.

The data in Table 18 show that for only one of the 24 networks of service stations were lessee operated stations relatively less important measured by gross value of gasoline sales than independent, brand stations. A similar situation obtains in the financially assisted stations. For a majority of the station networks, lessee operated stations are relatively more important measured by gross value of gasoline sales than financially assisted stations. The data for company owned and operated stations is quite striking. Although usually there are few such stations in a network yet the proportion of gasoline sales is frequently quite high. This does not necessarily mean that such stations are as profitable or more profitable than independent, brand stations because the compilations for Table 18 do not take account of costs. It is possible that for training and prestige purposes some of these stations may be very advantageously situated. Moreover, they are not likely to include many low volume outlets which would lower the average unit sales.

The changes in the relative importance to a company of the stations in each class of outlet between 1951 and 1955 do not appear to follow a consistent pattern except that for a majority of networks changes in the relative importance of the lessee operated and financially assisted stations were in the same direction. That is, where there was an increase in the relative importance of lessee operated stations, likewise there was an increase in the relative importance of financially assisted stations.

Similar compilations were made for sales of company-produced lubricating oils and greases by the different classes of service station for a number of the oil companies for the year 1955. These data are shown in Table 19 together with the data on gasoline sales. The table indicates that in the sale of lubricating oils and greases, lessee operated stations are usually the most important class of outlet, followed by financially assisted stations as was noted with gasoline sales.

Table 19

Indexes[1] Showing the Relative Importance of Different Classes of Service Stations of Certain Oil Companies, based on Average Unit Sales of Gasoline, Lubricating Oils[2] and Greases[2] for 1955

Company	Independent, Brand			Lessee Operated			Financially Assisted			Company Operated		
	Gas	Oil	Grease	Gas	Oil	Grease	Gas	Oil	Grease	Gas	Oil	Grease
B.A.	1.00	1.00	1.00	5.27	5.26	4.71	0.72	0.51	0.71	16.50	14.51	5.43
Canadian Oil	1.00	1.00	1.00	5.22	5.23	5.21	4.28	4.29	4.29	nil	nil	nil
Canadian Petrofina	1.00	1.00	1.00	3.57	3.23	3.06	(3)	(3)	(3)	nil	nil	nil
Imperial	1.00	1.00	1.00	6.25	4.79	4.93	2.66	2.11	2.14	nil	nil	nil
Texaco Canada	1.00	1.00	1.00	6.41	4.47	3.58	1.33	1.01	0.80	nil	nil	nil
Shell	1.00	1.00	1.00	6.39	6.42	4.98	2.89	2.30	2.35	2.95	2.22	1.79
Supertest	1.00	1.00	1.00	3.89	4.49	3.70	2.53	2.63	2.42	4.81	5.10	3.30

(1) See explanatory footnote to Table 18 concerning computation of indexes.

(2) The sales of these products are confined to commodities produced by the reporting companies.

(3) Combined with independent, brand stations as separate data not available.

The data in Tables 11 to 19 indicate the direction of changes in the composition of service station networks and suggest the relative importance of such changes for the principal distributors. Lessee operated stations appear to have particular significance because the average sales of petroleum products were higher than in independent, brand stations. These sales data, together with the trend towards higher proportions of lessee operated stations in the networks suggest that the oil companies may be following a policy of putting lessee operated stations in those locations where sales of petroleum products are or are likely to be above average. Moreover, the rising proportion of lessee operated stations indicates an increasing degree of control by the supplying oil companies over the retail distribution of automotive products. Because rural service stations are more likely to be independent, brand stations, the increase in lessee operated stations is doubtless greater in the urban and suburban centres than is indicated by the general figures in Tables 13 and 14. These are the centres where there is the greater volume of business in automotive products.

It is also important to note sales by financially assisted stations. The higher level of sales in these stations, compared to independent, brand outlets, indicates that assistance has, naturally, been given where risks are likely to be lower. The growth in number of such stations has not in itself been regarded as indicative of a distributor's intention to increase its control over its service stations; but the fact that such financial assistance does give increased control to the principal distributors has, nevertheless, probably been a factor in deciding to extend such assistance.

E. Contractual and Other Ties between Oil Companies and Service Stations

The relationships between service station dealers and their supplying oil companies are almost invariably given a formal contractual basis. In their returns of information to the Director, the principal distributors provided samples of documents used, either in blank form or as actually executed, in connection with the different classes of station. Those sections or clauses in the documents which bear on the full-line forcing and directed buying policies of the distributors are analyzed in detail. This analysis appears in the following Chapter and in full detail in Appendix V. At this point note is made only of the type of document used to give contractual basis to the particular service station dealer - distributor relationship.

1. Company owned and operated stations:

In these circumstances the dealer is an employee of the distributor and, as would be expected, no other contractual ties are necessary.

2. Lessee operated stations:

The principal contract is the Lease used to rent the premises to the lessee. Usually a Retail Dealer Agreement will also be executed providing for the supply of petroleum and other products by the distributor. Where the Retail Dealer Agreement does not provide for the supply of non-petroleum automotive products, and the distributor does sell T.B.A. products, a T.B.A. Products Agreement may be executed to supplement the other contracts. Apparently, in some instances, one distributor - Texaco Canada - obtains a verbal agreement from its lessees to abide by the company's full-line forcing and directed buying policies.* Where dispensing equipment is borrowed from the distributor, this transaction is covered by an Equipment Loan Agreement.

3. Financially assisted stations:

When a distributor provides financial assistance to a service station dealer, it will ordinarily take a mortgage on the dealer's premises as security for the loan. Repayment provisions for the loan appear frequently to be designed to ensure that the mortgage will run for a minimum period of time which may be a period of considerable duration, as is noted below. Supplementing the mortgage, will be a Retail Dealer Agreement and frequently a T.B.A. Products Agreement, as noted above in connection with leases. Similarly, where dispensing equipment is loaned, an Equipment Loan Agreement is executed. An alternative to this Agreement is the Conditional Sale agreement used to provide for the sale of the equipment, or other movable property to the dealer, with extended payment provisions.

In some instances, in addition to the mortgage, the distributor executes cross leases with the financially assisted dealer whereby the premises are leased by the dealer to the distributor who then leases them back to the

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* See Texaco Canada Return of Information 1958 cited below p. 438.

dealer. The purpose of this arrangement appears to be to enable the mortgagee to continue to exercise certain control over the dealer, such as provided by the full-line forcing provisions in the mortgage and lease, which could be terminated if included in the mortgage only.

4. Independent, brand stations:

The Retail Dealer Agreement is the principal contract between the dealer and his distributor. This may be supplemented, as circumstances warrant, by an Equipment Loan Agreement or Conditional Sale Agreement. T.B.A. Products Agreements may also be executed where it is the policy of the distributor to use such agreements and if the dealer's acceptance of such an arrangement can be obtained.

5. Sundry Agreements:

Certain other agreements may on occasion be used to supplement the agreements noted above. For example, there may be a Dealer Lubricant Agreement providing for supply of lubricating oils, and there may be special agreements covering certain T.B.A. products. In some circumstances, such as a gasoline price war, the distributor may arrange for the dealer to take gasoline or other products on a consignment basis which arrangement would be covered by a Consignment Agreement.

It is customary in the principal agreements referred to above for the distributor to provide for the reasonable care and operation of the service station premises which will bear the distributor's brand designation. They also provide against the misuse of the identifying brand designations, colours, etc., particularly by association with the advertisement of competitors' products.

CHAPTER IV

RESTRICTIVE PRACTICES IN DISTRIBUTION OF PETROLEUM PRODUCTS

A. Distribution Methods of Principal Distributors

This section relates to the manner in which the oil companies distribute petroleum products through different classes of service station. It includes a summary of the detailed analysis of full-line forcing and directed buying provisions which are coupled with exclusive dealing provisions in each distributor's contracts, which is provided in Appendix V. It also covers other provisions which may be considered to be ancillary to the exclusive full-line forcing or directed buying provisions or which may have somewhat similar effects. The effects of the provisions will vary depending in part on the type of contract in which they are included and the degree of control the contract gives the distributor. They will also vary depending in part on the interpretation and administration of the agreements by the distributor's supervisory staff. This administration is frequently on a regional or district basis and considerable delegation of authority may occur. In such circumstances differences may develop between the policy determined at the executive level and its execution at lower levels in the field.

The relevant clauses in the contracts are examined here in order to determine the contractual status of the service station dealer with respect to full-line forcing and directed buying. It is not intended to deal here with the actual or real effects of such provisions nor the extent of their enforcement. These latter points are discussed in Chapter V.

The information compiled in Appendix V is based on the contracts provided with their returns by twenty-nine of the principal distributors. Most of these contracts were blank forms, while a few were copies of contracts already executed. These contracts may be assumed to be those used by the oil companies at the time of this inquiry.

For convenience of description, the contracts have been divided into four categories. In the first are included the contracts

ordinarily used by the principal distributors with lessee operated outlets. The second includes the contracts ordinarily used with financially assisted outlets. The third includes those used with independent, brand outlets. Certain contracts, however, may be common to all three categories. The fourth category consists of all other contracts which, although probably applicable to any of the three classes of outlet mentioned, were not indicated by the companies as being used with any particular class.

1. Leased Outlets

(a) Lease:

The main purpose of the lease contract used by the distributors is to rent premises to a responsible person. However, it will usually include exclusive full-line forcing provisions, supplemented by a clause which gives the distributor complete control over any advertising done on the leased premises. In addition, some leases contain provisions which either directly or indirectly give the lessor the power to designate other suppliers of service station products with whom the lessee is to deal.

The exclusive full-line forcing or directed buying provisions extend in most instances to petroleum products and frequently to T.B.A. products. The following clauses are illustrative:

> "[The lessee undertakes and agrees to]. . . continuously and exclusively buy, pay for and receive from the company and from no other, all his requirements of gasoline, kerosene, distillate, motor and lubricating oils and greases and petroleum products generally and all other products, and/or accessories other than or in addition to petroleum products, manufactured, sold, dealt in and/or distributed by the company . . ."
>
> (Anglo American: Lease Form)

> "[The lessee is required to]. . . purchase exclusively from the Landlord or some other person or corporation designated by the Landlord all gasoline and other petroleum products and all tires tubes batteries and automotive accessories required for sale upon the demised premises and also any necessary service station equipment and not to sell or offer for sale or permit to be sold or offered for sale upon the demised premises or in any way in connection with the business carried on by the Tenant thereon any gasoline or other petroleum products or any goods as aforesaid which have

not been purchased from the Landlord or some other person or corporation specified by the Landlord."

(Home: Lease Form)

Control of advertising on the leased premises is usually given to the oil companies by the following type of clause:

"[The Company] . . . may erect and maintain such advertising signs on the demised premises as it deems advisable and the Tenant will not erect or permit to be erected or to remain on the said premises any other signs or advertising except with the written consent of . . . [the Company]

(B.A.: Lease Form)

Sometimes the full-line forcing clause will be limited to petroleum products and anti-freeze, or even to petroleum products only, although the advertising clause will remain general as to the products covered. Occasionally leases do not include either of these two clauses.

Provisions are usually contained in leases for their termination by either party at any time during their currency. Notice in writing is commonly required but the period of notice may be as short as 24 hours. In addition most leases make additional specific provision for their termination by the lessor should the lessee default on or fail to perform any terms of the lease. Frequently the lessor in such instances may cancel the lease forthwith or on very short notice and sometimes without having to give the lessee notice. A typical clause providing for such termination is the following:

". . . in case the operator makes default in any of the payments called for by this agreement, or at any time fails, refuses or neglects to perform any of the covenants, provisos or conditions herein contained which on the part of the operator ought to be performed, . . . then and in any and every such case the company . . . may forthwith enter into and take possession of the said land and the said equipment . . ."

(Anglo American: Lease Form)

(b) Retail Dealer Agreement

Retail Dealer Agreements are frequently signed supplementary to leases. In addition to providing for the supply by the distributor to the dealer of a full line of petroleum and sometimes other products, these agreements also require that supply be on an exclusive basis.

Moreover, these agreements include exclusive advertising provisions.

An explanation of the duplication of these contractual obligations probably lies in the fact that the Retail Dealer Agreement form is the one used with all dealers, particularly independent, brand dealers. It is probably regarded as unnecessary to provide a supply agreement form devoid of such provisions for use with leases which already include them.

(c) T.B.A. Products Agreement

Some distributors have a special contract supplementing the lease and the Retail Dealer Agreement, or the lease only, by which the full-line forcing provisions contained in the lease or in the Retail Dealer Agreement, are extended to T.B.A. products. In some instances, these contracts also provide for exclusive dealing or purchase of supplies from preferred sources.

(d) Equipment Loan Contract

An equipment loan contract is very often signed by lessees. By this contract the lessee is bound to use the equipment borrowed from his principal distributor, for dispensing only his distributor's products. This contract is discussed below under Sundry Agreements.

(e) Other Agreements

The lease may be supplemented by a verbal agreement with respect to full-line forcing or directed buying. For example, the following:

> "With respect to Company-owned outlets and/or third party leased Service Stations operated by lessees, those lessee dealers who verbally agree with the Company to enter into arrangements with certain of the suppliers . . . [indicated by the Company] are, if necessary, reminded of their verbal arrangements . . ."
>
> (Texaco Canada: Return of Information)

> "Lessees of Company owned service stations are required, as a condition of their lease, to purchase from the Company automotive oils, greases, anti-freeze and additives, and to purchase T.B.A. products from suppliers designated by the Company. In the case of automotive oils, greases, anti-freeze and additives which the Company either manufactures or blends or buys as finished product for resale, the lessee is required to

handle such products through the Company owned station in the same manner as he is handling gasoline being sold by the Company. Failure to do so constitutes a breach of lease."

(North Star: Return of Information)

2. Financially Assisted Outlets

(a) Mortgage and Retail Dealer Agreement

When an oil company provides financial assistance to a dealer, it will ordinarily take a mortgage on the retailer's premises as security for the loan. The mortgage may or may not contain exclusive full-line forcing or advertising provisions. A Retail Dealer Agreement including exclusive full-line forcing and advertising provisions is generally executed in conjunction with any mortgage. It would supplement a mortgage which did not include such provisions.

In most instances the exclusive full-line forcing clauses contained in these contracts cover both petroleum and T.B.A. products, although some are limited to petroleum products. Directed buying provisions may also be included in the mortgage (see Texaco Canada mortgage form).

In some mortgages it will be stipulated that the mortgagor will be allowed to repay the mortgage except for a small amount (from $100 to $200) which shall not be payable until a certain specified date. In some other instances the mortgage contract will provide that the contract shall be in effect for a specified number of years, or until all moneys owing under the mortgage shall be paid, whichever period shall be longer. The longest minimum period specified in a contract provided in the returns of information was for 25 years.

(b) Cross Lease

A few distributors, when dealing with mortgaged outlets, will use the cross-lease system. This system includes a mortgage, a lease by the mortgagor in favour of the distributor and then a sub-lease by the distributor in favour of the mortgagor. The different forms used in this case contain about the same provisions as the mortgage contract and the lease contract discussed above. It may be noted that the legal interrelations between the distributor and the mortgagor become very complex when these additional contracts are employed.

(c) Equipment Loan Agreement - Conditional Sale Agreement

An Equipment Loan Agreement, or a Conditional Sale Agreement is also often used with respect to the mortgaged outlets. These contracts are discussed below.

3. Independent, Brand Outlets

(a) Retail Dealer Agreement

The Retail Dealer Agreement is the principal contract between a distributor and independent, brand dealers. The forms of agreement used by distributors contain exclusive full-line forcing provisions as well as exclusive advertising privileges. These provisions usually cover petroleum and other products although they are sometimes confined to petroleum products.

(b) Other Contracts or Agreements

Other contracts may be in use with respect to independent, brand outlets. These are an Equipment Loan Agreement, a Conditional Sale Agreement and others which are described in the next section.

4. Sundry Agreements and Contracts

(a) Conditional Sale Agreement

Conditional sale agreements, where used by the principal distributors, usually contain the following typical provision:

> "Until all moneys payable hereunder are fully paid the Purchaser will use the said equipment exclusively for the vending of the Company's products and will deal in gasoline, refined oil, lubricating oils and greases and petroleum products generally purchased from the Company exclusively, and the Purchaser will not . . . either directly or indirectly, within one mile of the premises described in clause 8 hereunder, during the said period sell, deal in or handle any of such products purchased from any other person, firm or corporation."

(B.A.; Conditional Sale Agreement)

It is also common to include a provision for a minimum duration of the contract. The contract relates to the sale of equipment to be used on the garage premises, such as lubricating equipment and storage tanks.

(b) Equipment Loan Agreement

In the equipment loan agreements used by principal istributors, it is the practice to include a provision similar to the ollowing:

> "No similar equipment [e.g. gasoline pumps] belonging to other companies shall be installed on the premises during the term of this agreement without the COMPANY's consent first obtained in writing. No products other than the COMPANY's shall be dispensed through the equipment loaned . . ."
>
> (Canadian Petrofina: Equipment Loan Form)

(c) Dealer Lubricant Agreement

This type of agreement is not used extensively. It provides for the exclusive supply of lubricants to the dealer.

The above three types of contract frequently contain exclusive full-line forcing provisions covering petroleum products generally handled by the dealer and these clauses may extend to non-petroleum products. These are in addition to the exclusive-use provisions cited above.

(d) T.B.A. Products Agreement

It is the policy of a number of distributors to use special supply contracts for tires, batteries and accessories. The contracts contain full-line forcing provisions with respect to the particular product or products supplied by the distributor. As indicated earlier, these contracts in some instances also provide for exclusive dealing.

(e) Miscellaneous Contracts

There are a few miscellaneous types of contract such as consignment agreements, Power Prover leases, etc. which may be used. They all have the following characteristics:

(i) If the contract relates to equipment there will be a provision limiting use of such equipment to the handling of products purchased from the distributor.

(ii) Exclusive full-line forcing and exclusive advertising clauses are usually included.

(iii) Where a dealer must pay a certain price under the contract, final payment is commonly delayed, thereby extending the contract's duration.

B. Distributors' Service Station Policies and Distribution of Non-Petroleum Products

Service stations are among the most important channels of distribution of non-petroleum automotive products to consumers. It is clear from the previous outline of the different types of contract used by distributors with their service station dealers, that the contracts can give the distributor considerable control or influence over how the dealer will conduct his business. Such influence is greatest when the dealer's principal business consists in selling his distributor's products. This influence extends not only to those aspects of the dealer's operations which may affect the reputation of the distributor's branded products, but it also may extend to the prices at which the dealer sells. Default in any provisions of the contract by the dealer makes the contract liable to cancellation, frequently with very short notice. The possibilities of default are greater, the more extensive the range of operations brought within the ambit of these dealer-distributor contracts. In these circumstances, a principal distributor can usually gain a dealer's compliance with the oil company's sales policies.

Although the distribution and sale of non-petroleum products may not be involved specifically in any of the contracts, the close supervision and control the contracts give to the distributor provide him with the means of influencing the dealer's business in such products. These circumstances tend to place a dealer and any third party supplier in an uncertain position. Because of this and because of the financial advantages which may accrue to a distributor, market access agreements between distributors and suppliers have arisen.

The increasing interest, direct and indirect, of the principal distributors in the distribution and sale of non-petroleum products stems in part from a desire to increase their revenue from their retail networks. In recent years, the distributors' very active rivalry for the consumer's patronage has led to a proliferation of service station facilities. This expansion tends to lower the volume of gasoline and lubricant sales through any one station. Because rents from lessee operated stations are determined partly by the volume of gasoline sales, the oil company distributor may not be able to obtain sufficient rental revenue to yield a satisfactory return on its

nvestment in its service station facilities.* Therefore, any .dditional revenue arising from control over or participation in the ale of non-petroleum products through station networks would be mportant for distributors, especially if costs associated therewith .re low. The extent to which a distributor enters the distribution ield directly, rather than indirectly through market access agree-nents depends of course upon the relative returns expected.

Where a distributor does not engage directly in the sale f T.B.A. products, it seems likely that a single market access greement with a large supplier able to service an extensive network f service stations, would have appeal over a number of agreements vith small suppliers able to service only limited portions of the tation network. Administrative and control aspects of a single greement would likely be simpler. Moreover, the distributor may ossibly be able to command a higher rate of market access commission if the fenced-in market offered is extensive.

C. Principal Distributors' Arrangements for Supply of Service Station Products

Service station products, where not purchased from ndependent sources by the station operators, may be supplied by listributors out of their own production, or from supplies purchased or resale, or by other suppliers under market access agreements. Table 20 indicates the relative importance of these methods in regard o the supply of seven categories of service station commodities. Where more than one method is used, the relative importance of each is indicated when possible. These data were compiled from the distributors' returns of information and replies of some of the manufacturers.

With lubricating oils and greases, the four distributors having the largest networks supplied their dealers from their own production, sometimes supplemented with purchased products. Five other distributors supplied lubricating oils and greases from their own production and two others, greases. The remainder for whom information is available purchased their supplies of these two commodities for resale. No company appears to have provided for the supply of these goods by way of market access agreements.

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* The references cited on p. 36 have indicated that marketing of petroleum products through service stations may frequently be conducted at a loss, such losses being offset by profits at the production level.

Table 20

Method of Supply of Service Station
Products to Service Stations of Principal Distriburors

Company	Lubricating Oils			Greases			Anti-freeze			Tires & Tubes			Batteries			Accessories			Additive		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
Imperial	1		2	1		2			1			1			1			1			1
B.A.(1)	1		2	1					1		X	X		X	X		1			1	
Texaco Canada	1			1				2	1		1			1			1		1	2	
Canadian Oil	1			1					1		1			2	1		1				1
Irving			1			1			1			1			1		-			-	
Shell (2)	1		2	1			1				1			1			1	2		-	
Supertest			1			1			1		2	1		1			1			-	
Canadian Petrofina			1			1			1		1			1			1			-	
North Star			1	1		2			1		1			1			1			-	
Cities Service			1			1			1		1	2		2	1		2	1			1
Champlain			1			1			1			1			1			1			1
Reliance			1			1		1			1			1			1			1	
Sunoco	1			1					1		1				1			1			1
Anglo American			1			1			1		1			1			1			-	
Standard			1			1		-			1			1			1				1
Regent			1			1			1		1			1			1			-	
Royalite			1			1			1		1			1			1			-	
Home	2		1	1		2		1			1			1			1			-	
Fed. Co-op.	2		1	2		1			1			1			1			1			1
Great West			1			1			1			1		1			1				1
Anglo-Canadian			1			1			1		X	X			1			1			1
P. M. Fleming (3)			1			1			1		2	1		2	1		1				1
United Farmers			1			1			1			1			1			1		-	
Radio	2		1			1	1		2		1			1			1			-	
Husky(4)			1			1			1		1				1			1		-	
Western			1	1					1		-			-			-			-	
General Oil	n.a.			n.a.			n.a.			n.a.			n.a.			n.a.			n.a.		
Vigor			1			1			1			1		-			-			-	
Lion			1			1			1			1			1			1		-	
Wainwright			1			1			1	n.a.			n.a.			n.a.			n.a.		
Joy	n.a.			n.a.			n.a.			n.a.			n.a.			n.a.			n.a.		
Planet(3)			1			1			1		-			2	1		-			-	
B.P.			1			1			1		1			1			1			-	

Legend:

Method of Supply
A - By production and sale
B - By market access agreements
C - By purchase and resale

Relative Importance of Methods
1 - Principal Method
2 - Secondary Method
X - Relative Importance Unknown
n.a.- Not Available
- - Not Supplied

Notes
(1) No agreements after January 1, 1958 except tires and tubes with Goodyear.
(2) Anti-freeze production mainly consists in canning glycol purchased from Dow.
(3) Acquired by B.P. after inquiry commenced.
(4) Limited line of accessories sold under Company brand name. Information for batteries and accessories applies to period after mid-1959.
Compiled from oil company returns of information and correspondence and replies to manufacturers' questionnaires.

With anti-freeze, it appears that only two distributors produced their own supplies. In these two instances, the companies purchased their glycol from Dow and formulated their own anti-freeze. Three other companies provided for supply of their dealers by way of market access agreements. The remainder, where data are available, indicated that they purchased anti-freeze for resale to the service stations. Thus this commodity is also likely to be subject to full-line forcing policies.

In the majority of instances where information was obtained on the supplying of additives, reliance was placed on purchase and resale.

Although there are a few differences in the methods some distributors used for providing for the supply of tires and tubes and for the supply of batteries or of accessories, most distributors followed the same method for all T.B.A. products. The most frequently followed method is by way of market access agreements. However, with tires and tubes, the two largest distributors, Imperial and B.A. supplied their dealers with products produced with their own brand names. Two moderate-sized distributors, Irving and Supertest also relied principally on purchase and resale of tires and tubes. With batteries, Imperial, B.A., Canadian Oil and Irving relied principally on purchase and resale. Imperial is the only large distributor using this method principally to supply accessories. Therefore, while the majority of distributors may favour the use of market access agreements in connection with T.B.A. products, a large proportion of the market would in fact receive supplies by way of the distributors' own T.B.A. distribution programmes because of the large proportion of dealers in the major distributors' networks.

From the above analysis it appears that only a small number of distributors are not concerned directly or indirectly with the supply of service station products to their dealers. Moreover, only a few of the product groups would not be involved and only a minor proportion of the market. The effects of such extensive use of production and sale, purchase and resale, and market access agreements as methods of supply of service station dealers will be discussed in greater detail in Chapters V and VI, particularly with regard to the dealers opportunities to buy from independent suppliers. However, it is apparent that a considerable proportion of the market is affected by the entry of the major distributors into the distribution of non-petroleum automotive products. Moreover, the number of commodities dealt in is increasing. This is a factor of importance not only to the dealers and the wholesalers but also to the manufacturers and the consuming public.

CHAPTER V

DISTRIBUTORS' POLICIES AND PRACTICES IN DISTRIBUTION OF GASOLINE AND SERVICE STATION PRODUCTS

In this Chapter, answers to the questionnaires sent to the principal distributors, to the manufacturers of service station products and to the automotive wholesalers are analysed. The results of the surveys of service station dealers in the Ottawa district and in Greater Winnipeg are also analysed in this Chapter. In addition, certain other material presented to the Director in the course of this inquiry is examined. This material includes signed returns made by service station dealers in Ontario centres to the Ontario Retail Gasoline and Automotive Service Association. Such returns comprised part of a study of certain retailing problems of its dealer members undertaken by the Association. The additional material also includes affidavits signed by the salesmen of one of the manufacturers of specialized automotive lubricants attesting to the reasons offered by service station dealers for not handling the company's products.

A. Analysis of Principal Distributors' Returns of Information

1. Statistics of Sales

Certain information from the questionnaires sent to the oil companies in 1953 and 1954, and in 1956 and 1958 has been presented above in the description of the channels of distribution for automotive products. At this point, sales of service station products for the years 1955 and 1956 are analysed. The object is to determine the relative importance of sales through their service stations of products produced by the oil companies, of products purchased and resold by them as distributors, and of products sold under market access agreements. Sales of petroleum products for use in motor vehicles, particularly gasoline, lubricating oils, greases and anti-freeze products* are analysed separately from sales of T.B.A.

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* Anti-freeze products are included among petroleum products as they are included by the Dominion Bureau of Statistics among the products of the petroleum industry.

Table 21

Total Gross Sales by Principal Distributors, 1955 and 1956

Sales to All Customers:		
All Products	1, 179, 790, 000	1, 373, 918, 000
Petroleum Products Used in Motor Vehicles	630, 434, 000(1)	720, 803, 000(1)
Automotive Gasoline	519, 230, 000(2)	583, 546, 000(2)
Produced Auto Lubricating Oils	24, 094, 000	29, 900, 000
Produced Auto Greases	3, 866, 000	4, 339, 000
Sales to Service Stations:		
Purchased Tires and Tubes	15, 606, 000	17, 091, 000
Purchased Batteries	2, 701, 000	3, 140, 000
Purchased Accessories	2, 453, 000	2, 729, 000
Purchased Additives	128, 000	123, 000
Total T.B.A. Products	20, 888, 000	23, 083, 000
Produced Lubricating Oils	13, 144, 000	14, 159, 000
Purchased Lubricating Oils	9, 502, 000(3)	10, 483, 000(3)
Produced Greases	1, 875, 000	1, 931, 000
Purchased Greases	880, 000(3)	966, 000(3)
Produced Anti-freeze	271, 000	314, 000
Purchased Anti-freeze	3, 799, 000(4)	4, 115, 000(4)
Total Service Station Products	50, 359, 000(3)	55, 050, 000(3)
Automotive Gasoline	311, 745, 000(5)	348, 278, 000(5)
Total Petroleum Products	341, 732, 000(6)	380, 818, 000(6)
Total Gasoline and Service Station Products	362, 620, 000(6)	403, 901, 000(6)

(1) 30 companies: excludes United Farmers - no data.
(2) Includes sales by United Farmers to Service Stations only: excludes Joy, Reliance and Royalite - no data.
(3) Excludes Joy and Reliance - no data.
(4) Excludes Joy - no data.
(5) Excludes Husky, Joy and Reliance - no data.
(6) Includes Joy composite data. Excludes Reliance and excludes Husky gasoline sales - no data.

Note: Because of limitations in the data as noted above, totals may not equal the sum of individual component items as set out in the Table.

Source: Compiled from returns of 31 oil companies.

products. Lubricating oils and greases are frequently among the products produced by the oil companies themselves and have long been among the products distributed by them. On the other hand, the oil companies have been concerned with the distribution of T.B.A. products through their service station, either by themselves or under market access agreements only more recently. The returns of information of the principal distributors have also provided data which indicate the relative importance to the distributors of the commission received under market access agreements.

The returns for 31 of the 33 oil companies listed in Table 8 show that total sales of all products amounted in 1955 and 1956 to $1,179,790,000 and $1,373,918,000 respectively. (See Table 21) No information on sales was obtained from Planet Oil Ltd. which at that time operated the small chain of service stations registered under the name Atlas Oil Company. As shown in Table 8, these stations made up 0.02 per cent of service stations of the principal distributors in January 1958, and therefore, sales of all products by them are unlikely to have been very extensive. B.P. was not incorporated in 1955 and 1956. Maple Leaf has also not been included in the above total because the Company acts as a jobber and had only one customer in both years, namely United Farmers.

Sales of petroleum products for use in motor vehicles* totalling $630,434,000 and $720,803,000 by 30 of the above 31 oil companies (excluding United Farmers which had 0.26 per cent of principal distributors' service stations in January 1958 and for whom such data were not available) accounted for over 53 per cent and 52 per cent of the oil companies' total sales in 1955 and 1956. Table 22 indicates that the proportion of total sales accounted for by such products varied for different companies from a minimum 30.2 per cent for Husky in 1956 to 100 per cent for Joy in the same year.

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* Petroleum products for use in motor vehicles included: gasolines; diesel fuels; oils; greases; ethyl alcohol, ethylene glycol and related anti-freeze products; kerosene; napthas; and solvents.

Table 22

Gross Sales of Gasoline and Service Station Products, By Principal Distributors, Expressed in Percentages, 1955 and 1956

Distributor	Automotive Petroleum Products Per Cent of Total Sales		Auto Gasoline Per Cent of Sales of Automotive Petroleum Products		Gasoline to Service Stations Per Cent of Automotive Petroleum Products Sales		Gasoline to Service Stations For Cent of Auto Gasoline Sales		Produced Auto Lub. Oils, Per Cent of Sales of Automotive Petroleum Products		Produced Lub. Oils to Service Stations, Per Cent of Automotive Petroleum Products Sales		Produced Lub. Oils to Service Stations: Per Cent of Produced Lub. Oil Sales		Purchased Lub. Oils to Service Stations: Per Cent of Automotive Petroleum Products Sales	
	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956
Anglo American	41.0	38.6	89.6	90.0	80.0	83.0	89.1	92.1	-	-	-	-	-	-	5.9	5.9
Anglo-Canadian	95.0	93.2	65.2	64.0	26.4	25.4	40.6	39.7	-	-	-	-	-	-	1.1	1.1
B.A.	60.8	60.9	80.0	79.1	43.9	44.1	54.8	55.7	5.3	5.2	3.5	3.3	66.6	65.8	0.2	0.2
Canadian Oil	78.7	77.5	80.1	79.7	55.7	54.1	69.5	67.9	6.0	7.5	2.9	3.2	48.1	43.1	-	-
Canadian Petrofina	57.4	61.1	87.4	90.9	68.0	70.7	78.0	70.7	-	-	-	-	-	-	5.7	4.4
Champlain	54.1	55.2	90.2	90.5	90.3	90.6	100	100	-	-	-	-	-	-	5.9	5.5
Cities Service	68.5	69.5	88.9	88.7	89.0	88.7	100	100	-	-	-	-	-	-	6.8	6.0
Fed. Co-op.	37.1	34.6	80.0	80.4	79.4	80.0	99.5	99.8	0.4(1)	0.3(1)	0.4(1)	0.3(1)	100(1)	100(1)	6.5	6.9
F. M. Fleming	93.5	93.2	71.2	68.0	56.8	60.6	80.0	89.1	-	-	-	-	-	-	3.2	3.1
General Oil	98.5	98.4	96.3	97.2	96.3	97.2	100	100	-	-	-	-	-	-	-	-
Great West	87.0	90.0	95.4	95.8	95.3	95.8	100	100	-	-	-	-	-	-	2.7	2.0
Home	46.6	48.3	88.7	89.1	72.2	72.2	81.3	81.0	0.4	0.3	0.3	0.2	66.7	63.6	3.9	3.7
Husky	24.2	30.2	79.2	71.2	n.a.	n.a.	n.a.	n.a.	-	-	-	-	-	-	0.5	0.5
Imperial	40.3	38.6	92.1	90.1	43.6	41.9	47.4	46.6	4.0	6.0	1.1	1.3	28.4	22.5	0.6	0.6
Irving	94.5	93.8	40.9	37.3	40.9	37.3	100	100	-	-	-	-	-	-	4.6	4.4
Joy	100	100	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-	-	-	-	-	-	n.a.	n.a.
Lion	94.2	94.0	91.5	92.1	91.4	92.1	100	100	-	-	-	-	-	-	7.0	6.2
North Star	70.6	73.9	81.3	83.0	32.0	24.5	39.4	29.5	-	-	-	-	-	-	1.6	1.1
Radio	78.1	72.6	89.6	91.0	54.2	56.8	60.5	62.5	-	-	-	-	-	-	4.7(2)	5.5(2)
Regent	51.7	49.3	92.4	93.2	51.8	49.5	56.1	53.1	-	-	-	-	-	-	2.8	2.5
Reliance	100	100	n.a.	n.a.	n.a.	n.a.	70.0	69.0	-	-	-	-	-	-	n.a.	n.a.
Royalite	42.8	41.2	n.a.	n.a.	14.9	29.5	n.a.	n.a.	-	-	-	-	-	-	5.1(1)	6.2(1)
Shell	49.2	47.5	88.7	88.3	40.8	42.1	47.8	47.7	3.6	3.6	2.0	1.9	55.4	52.7	2.4	2.2
Standard	42.0	38.6	86.8	86.7	60.6	61.4	69.8	70.8	1.4	-	0.4	-	26.6	-	2.6	2.9
Sunoco	51.4	51.0	92.6	93.6	80.7	80.9	87.1	86.3	5.5	4.8	4.7	4.2	86.0	87.6	-	-
Supertest	73.9	75.9	92.0	92.2	73.2	73.2	79.7	79.5	-	-	-	-	-	-	5.1	4.9
Texaco Canada	75.3	68.4	86.7	86.4	56.4	54.1	64.9	62.7	8.8	8.0	6.1	5.6	69.1	69.5	-	-
United Farmers	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-	-	-	-	-	-	n.a.	n.a.
Tiger	58.4	57.8	96.1	94.5	85.6	85.5	89.0	90.4	-	-	-	-	-	-	2.2	3.1
Wainwright	34.8	31.3	86.0	88.1	65.7	42.1	76.4	47.8	-	-	-	-	-	-	-	-
Western	62.3	66.0	75.4	68.4	36.2	35.7	48.0	52.2	-	-	-	-	-	-	0.2	0.4

Distributor	Produced Greases: Per Cent of Sales of Automotive Petroleum Products		Produced Greases to Service Stations Per Cent of Automotive Petroleum Products Sales		Produced Greases to Service Stations: Per Cent Produced Grease Sales		Purchased Greases to Service Stations: Per Cent of Automotive Petroleum Products Sales		Purchased Anti-freeze to Service Stations: Per Cent of Automotive Petroleum Products Sales		Produced Anti-freeze to Service Stations: Per Cent of Automotive Petroleum Products Sales		Produced & Purchased Petroleum Products to Service Stations: Per Cent of Automotive Petroleum Products Sales	
	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956
Anglo American	-	-	-	-	-	-	0.9	1.1	2.4	2.7	-	-	89.0	92.6
Anglo-Canadian	-	-	-	-	-	-	0.4	0.4	0.3	0.3	-	-	28.3	27.2
B.A.	1.3	1.4	0.6	0.6	48.6	40.9	-	-	0.1	0.2	-	-	48.4	48.4
Canadian Oil	0.3	0.8	0.1	0.3	41.1	43.6	-	-	2.1	1.9	-	-	60.8	59.6
Canadian Petrofina	-	-	-	-	-	-	1.0	0.8	1.4	0.9	-	-	76.1	76.7
Champlain	-	-	-	-	-	-	0.9	0.8	1.0	0.9	-	-	98.2	97.8
Cities Service	-	-	-	-	-	-	0.4	0.4	1.3	1.3	-	-	97.3	96.3
Fed. Co-op.	-	-	-	-	-	-	see	oil	0.2	0.6	-	-	86.6	87.8
F. M. Fleming	-	-	-	-	-	-	0.5	0.4	0.5	0.5	-	-	61.0	64.5
General Oil	-	-	-	-	-	-	-	-	-	-	-	-	96.3	97.2
Great West	-	-	-	-	-	-	1.1	0.9	0.4	0.7	-	-	99.6	99.4
Home	0.5	0.4	0.2	0.2	37.9	41.7	*	0.1	-	0.2	-	-	76.4	76.6
Husky	-	-	-	-	-	-	0.1	0.1	-	-	-	-	n.a.	n.a.
Imperial	0.4	0.4	0.1	0.1	18.8	18.3	-	-	0.8	0.8	-	-	46.3	44.6
Irving	-	-	-	-	-	-	0.9	0.8	0.3	0.3	-	-	46.7	42.8
Joy	-	-	-	-	-	-	n.a.	n.a.	n.a.	n.a.	-	-	100	100
Lion	-	-	-	-	-	-	0.7	0.6	0.8	1.1	-	-	100	100
North Star	0.8	0.5	0.2	0.1	22.9	20.1	*	*	*	0.1	-	-	33.9	25.8
Radio	-	-	-	-	-	-	see	oil	see	oil	-	-	58.9	62.3
Regent	-	-	-	-	-	-	0.4	0.4	0.5	0.2	-	-	55.5	52.6
Reliance	-	-	-	-	-	-	n.a.	n.a.	-	-	-	-	n.a.	n.a.
Royalite	-	-	-	-	-	-	see	oil	1.9	1.7	-	-	21.9	37.4
Shell	1.0	0.9	0.4	0.4	42.6	43.7	0.1	0.1	0.2	0.1	0.4	0.4	46.4	47.2
Standard	-	-	-	-	-	-	0.4	0.4	-	-	-	-	64.0	64.8
Sunoco	0.8	0.7	0.7	0.6	88.2	85.3	-	-	0.8	0.8	-	-	86.9	86.3
Supertest	-	-	-	-	-	-	0.9	0.8	0.6	0.5	-	-	79.8	79.5
Texaco Canada	1.0	0.9	0.8	0.7	82.0	82.2	-	-	0.5	0.5	-	-	63.8	60.9
United Farmers	-	-	-	-	-	-	n.a.	n.a.	n.a.	n.a.	-	-	n.a.	n.a.
Tiger	-	-	-	-	-	-	0.1	0.1	0.8	0.9	-	-	88.7	89.6
Wainwright	-	-	-	-	-	-	-	-	-	-	-	-	65.7	42.1
Western	18.2	22.0	0.2	0.2	0.8	0.8	0.2	0.2	*	*	-	-	36.8	36.5

Distributor	Produced & Purchased Petroleum Products to Service Stations: Per Cent of Total Sales		Produced & Purchased Gasoline & Service Station Products to Service Stations: Per Cent of Total Sales		Produced & Purchased Service Station Products to Service Stations: Per Cent of Total Sales		Produced & Purchased Service Station Products to Service Stations: Per Cent of Gasoline and Service Station Products		Purchased T.B.A. Products to Service Stations: Per Cent of Total Sales		Purchased T.B.A. Products to Service Stations: Per Cent of Gasoline and Service Station Products to Service Stations		Purchased T.B.A. Products to Service Stations. Per Cent of Produced and Purchased Service Station Products to Service Stations	
	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956
Anglo American	36.5	35.8	36.5	35.8	3.8	3.8	10.4	10.5	-	-	-	-	-	-
Anglo-Canadian	26.8	25.3	28.5	27.6	3.4	3.9	12.0	14.2	1.7	2.2	6.0	8.0	50.3	56.4
B.A.	29.4	29.5	30.6	30.9	3.9	4.1	12.7	13.2	1.1	1.5	3.7	5.0	29.6	37.6
Canadian Oil	47.8	46.2	48.7	47.1	4.9	5.1	10.1	10.8	0.9	0.8	1.8	1.8	17.8	16.6
Canadian Petrofina	43.7	47.0	43.7	47.0	4.6	3.7	10.6	7.9	-	-	-	-	-	-
Champlain	53.1	54.0	57.3	58.2	8.6	8.2	14.9	14.0	4.3	4.2	7.5	7.2	50.2	51.3
Cities Service	66.7	67.1	70.0	69.6	8.9	7.9	12.8	11.4	3.2	2.6	4.5	3.8	35.3	32.9
Fed. Co-op.	32.1	31.1	32.5	32.0	3.0	3.7	9.3	11.5	0.4	0.9	1.1	2.8	11.9	24.9
F. M. Fleming	57.0	60.2	61.1	63.4	7.8	7.0	12.8	11.0	4.0	3.3	5.5	5.2	50.0	47.2
General Oil	94.7	95.4	94.7	95.4	-	-	-	-	-	-	-	-	-	-
Great West	86.5	89.4	90.0	94.5	1.1	0.8	11.5	8.6	7.1	4.9	7.6	5.2	66.1	60.6
Home	35.6	37.0	35.6	37.0	2.0	2.2	5.7	5.8	-	-	-	-	-	-
Husky	n.a.	n.a.	n.a.	n.a.	0.1	0.2	n.a.	n.a.	-	-	-	-	-	-
Imperial	18.6	17.3	22.3	20.6	4.8	4.4	21.3	21.3	3.7	3.3	16.6	16.1	77.6	75.6
Irving	44.1	40.2	44.3	41.5	5.7	6.5	12.8	15.7	0.2	1.3	0.5	3.2	3.5	20.4
Joy	100	100	100	100	n.a.	n.a.	n.a.	n.a.	-	-	-	-	-	-
Lion	94.2	94.0	100	100	13.9	13.5	13.9	13.5	5.9	6.1	5.9	6.1	42.4	45.0
North Star	23.9	19.1	23.9	19.1	1.3	0.9	5.5	5.0	-	-	-	-	-	-
Radio	45.9	45.2	45.9	45.2	3.7	4.0	8.0	8.8	-	-	-	-	-	-
Regent	28.7	25.8	28.7	25.8	1.9	1.5	6.6	5.9	-	-	-	-	-	-
Reliance	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-	-	-	-	-	-
Royalite	9.3	15.4	9.3	15.4	3.0	3.2	32.1	21.1	-	-	-	-	-	-
Shell	22.8	22.4	22.9	22.5	2.9	2.5	12.4	11.1	0.1	0.1	0.5	0.4	3.8	3.6
Standard	26.8	25.0	26.8	25.0	1.4	1.3	5.3	5.2	-	-	-	-	-	-
Sunoco	44.7	44.0	46.0	45.2	4.5	4.0	9.9	8.9	1.3	1.2	2.9	2.6	29.3	29.6
Supertest	58.9	60.3	61.8	63.1	7.7	7.5	12.5	11.8	2.9	2.8	4.7	4.4	37.5	37.4
Texaco Canada	48.0	41.6	48.0	41.6	5.6	4.6	11.6	11.1	-	-	-	-	-	-
United Farmers	15.5	15.3	19.2	18.9	5.0	4.7	26.1	24.5	3.7	3.6	19.2	18.8	73.6	76.7
Tiger	51.7	51.6	51.7	51.7	1.9	2.4	3.7	4.7	0.1	0.1	0.2	0.2	5.3	3.8
Wainwright	13.2	22.8	22.8	13.2	-	-	-	-	-	-	-	-	-	-
Western	23.0	24.1	23.0	24.1	0.4	0.5	1.9	2.2	-	-	-	-	-	-

* Less than 0.05 per cent.
(1) Includes greases.
(2) Includes greases and anti-freeze.

Note: Planet omitted as no data received.

In column headings "Petroleum" products includes gasoline, oils, greases and anti-freeze. "Service Station" products includes oils, greases, anti-freeze, additives and T.B.A. products but excludes gasoline.

Gasoline was obviously the principal automotive petroleum product sold although one company, Irving, indicated a departure from this pattern. In the case of most distributors, sales to service station networks made up the largest proportion of automotive gasoline sales: the range in 1956 was from 29.5 to 100 per cent with 22 companies having percentages above 50 per cent. Sales of gasoline to service stations, exceeded $311, 745, 000 and $348, 278, 000 in 1955 and 1956 respectively and therefore constituted a large share of total sales of automotive petroleum products. As shown in Table 22 for individual companies, sales of gasoline to service stations ranged from 24.5 to 97.2 per cent of total sales of automotive petroleum products in 1956, with 17 companies having percentages over 50 per cent.

Nine companies in 1955 and eight in 1956 stated they sold automotive lubricating oils of their own manufacture while 28* indicated they distributed such commodities. Only three distributors - Canadian Oil, Sunoco, and Texaco Canada - indicated that they did not purchase lubricating oils for resale to service stations but relied entirely on their own production. Sales of lubricating oils to their service stations by the companies producing such oils totalled $13, 144, 000 and $14, 159, 000 in 1955 and 1956 respectively, but such sales constituted only small percentages of these companies' total sales of petroleum products, ranging from 0.2 to 5.6 per cent of such sales in 1956. Sales of purchased lubricating oils by the companies to their service stations amounted to approximately $9, 502, 000 and $10, 483, 000 in 1955 and 1956 respectively. These tw totals include some sales of greases, anti-freeze and additives. Data for three companies were not available. On the basis of these figures sales of purchased oils to service stations are shown in Table 22 to have ranged between 0.2 and 6.9 per cent of each company's total sales of automotive petroleum products.

Ten of the principal distributors indicated they produced automotive greases and, of these, five did not purchase any greases for resale to their service stations. In total, 25* companies purchased greases for resale to their service stations. Sales of produced greases to service stations exceeded $1, 875, 000 and $1, 931, 000 in 1955 and 1956 respectively and ranged between 0.1 and 0.7 per cent of each company's total sales of automotive petroleum products in 1956. Sales of purchased greases to service stations exceeded $880, 000 and $966, 000 in the same years and ranged from less than 0.05 per cent to 1.1 per cent of each company's total sales of automotive petroleum products in 1956.

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* Based on Table 20, p.68 above.

Shell and Radio were the only principal distributors producing anti-freeze products in 1955 and 1956.* Sales by Shell to its service stations of produced anti-freeze amounted to 0.4 per cent of the Company's sales of automotive petroleum products. Sales by Radio are not known. Sales of purchased anti-freeze to service stations by the principal distributors exceeded $3,799,000 and $4,115,000 in 1955 and 1956 and ranged from less than 0.05 per cent to 2.7 per cent of each company's total sales of automotive petroleum products in 1956. At least five oil companies did not handle anti-freeze products in 1956.

Texaco Canada reported producing additives but the value of sales was included with oils.

Sales to service stations of gasoline, lubricating oils, greases, anti-freeze and additives, both produced and purchased, by the principal distributors, exceeded $341,732,000 in 1955 and $380,818,000** in 1956.

A number of oil companies purchase certain T.B.A. products and resell them to their dealers. Thirteen companies reported distributing tires and tubes to their dealers in 1955 and 1956 and the value of such sales totalled $15,606,000 and $17,091,000 each year respectively. Imperial reported the largest sales, more than five and one-half times the sales of its nearest competitor in 1956. Sales of tires and tubes represented just about three-quarters of sales of all T.B.A. products by the oil companies in both years. Fourteen companies* reported distributing automotive batteries and in most instances they were the same companies as distributed tires and tubes. Principal exceptions were Supertest and Great West which distributed tires and tubes but not batteries and Canadian Oil and Sunoco which distributed batteries but not tires and tubes. The value of battery sales by the distributors totalled $2,701,000 and $3,140,000 in 1955 and 1956. Once again Imperial reported the largest sales, more than three and one-half times the sales of its nearest competitor. Sales of batteries represented 12.9 per cent and 13.6 per cent of sales of all T.B.A. products in 1955 and 1956. Ten companies reported distributing accessories in 1955 and

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* Based on Table 20, p. 68 above.

** These figures include sales by Joy which were not included in the figures given for the separate products because only the total was known. They also include sales by Husky of lubricating oils and greases only, because sales of gasoline by this Company were not known.

nine in 1956, and the value of sales totalled $2,453,000 and $2,729,000 in each year respectively. Imperial, with the largest volume of business, sold more than five and one-half times the sales of its nearest competitor. Sales of accessories accounted for almost 12 per cent of sales of all T.B.A. products in both years. Five companies reported sales of additives as separate commodities while a number of other companies' returns indicated that these products were included in the accessories group. Sales of additives, of course, were low in value although they exceeded $128,000 in 1955 and $123,000 in 1956. Such sales however would amount to less than one per cent of reported sales of all T.B.A. products.

Of particular interest in this study is the value of sales t service stations of gasoline, lubricating oils, greases, anti-freeze and T.B.A. products. The returns from the principal distributors indicate that for 29 companies such sales totalled $362,620,000 and $403,901,000 in 1955 and 1956 respectively. As percentages of total sales of individual distributors, sales to service stations of gasoline, oils, greases, anti-freeze and T.B.A. products ranged from 9.3 to 100 per cent in 1955 and from 13.2 to 100 per cent in 1956. As already indicated, gasoline accounted for the largest proportion of such sales. Sales of service station products (i.e. excluding gasoline) amounted to some $50,359,000 and $55,050,000 in the same two years, and for individual companies ranged from 0.1 to 14.0 per cent of total company sales in 1955 and from 0.2 to 13.5 per cent in 1956.

Sales of service station products, as a proportion of the combined sales of gasoline and service station products to service station dealers only, were just under 14.0 per cent in both 1955 and 1956 for the 27 companies for which full data were available. For individual companies the proportions ranged from 1.9 to 32.1 per cent in 1955 and from 2.2 to 24.5 per cent in 1956.

The importance of T.B.A. products in the sales of different distributors varies (See Table 22). For Imperial, with the largest total value of T.B.A. sales, they are relatively less important than for four other companies among the sixteen companies reporting T.B.A. sales, as indicated by the percentage of that company's sales they represent. The percentages of total sales which T.B.A. sales represented for the sixteen distributors varied from 0.1 to 7.1 per cent in 1955 and from 0.1 to 6.1 per cent in 1956. Although the proportion of total sales represented by T.B.A. sales declined in 1956 for many distributors, sales increased in value for eleven of the sixteen companies, and apparently by as much as seven-fold for one of them. In 1955 T.B.A. sales by the sixteen companies ranged from 0.2 to 19.2 per cent and in 1956 from 0.2 to 18.8 per cent of the sales to service stations only of gasoline and service station products combined. T.B.A. sales by the sixteen

ompanies ranged from 3.5 to 77.6 per cent in 1955 and from 3.6 to 6.7 per cent in 1956 of sales to service stations only of service tation products alone. For six companies, in 1955 the proportion ras 50 per cent or more, and for five, between 25 and 50 per cent. n 1956, for five companies the proportion was 50 per cent or more nd for six, between 25 and 50 per cent.

Sales under market access agreements were reported by 9 oil companies for the years 1955 and 1956. The products covered ncluded tires, tubes, batteries, accessories and anti-freeze and some dditives which apparently were included in accessories. It was not lways possible to separate completely the sales of the different roducts. Nonetheless, it appears likely that the product sales data n Table 23 gives a reasonable indication of the relative amount of usiness done in each commodity group, under these market access greements.

Table 23

Sales of T.B.A. Products and Anti-Freeze to Service Stations under Market Access Agreements, as Reported by Principal Distributors, 1955 and 1956

Item	1955	1956
Tires and Tubes	16,668,000	19,460,000
Batteries	1,833,000	1,679,000
Accessories	3,846,000	4,871,000
Anti-Freeze	30,000	5,000
All Products	22,377,000	26,015,000

For the 17 companies reporting agreement sales of tires and tubes, sales in 1955 and 1956 totalled \$16,668,000 and \$19,460,000 respectively. The proportion of all agreement sales of the individual companies that agreement sales of tires and tubes represented ranged from 55.3 to 100 per cent in 1955 and from 60.6 to 100 per cent in 1956 (See Table 24). For the 18 companies reporting agreement sales of batteries, sales in the same years totalled \$1,833,000 and \$1,679,000. As a proportion of total agreement sales for the individual companies agreement sales of batteries ranged from less

Table 24

Sales of T.B.A. Products and Anti-freeze Under Market Access Agreements,
As Reported by Principal Distributors, Expressed in Percentages, 1955 and 1956

Distributor	Tires and Tubes: Per Cent of Agreements Sales		Batteries: Per Cent of Agreement Sales		Accessories: Per Cent of Agreement Sales		Anti-freeze: Per Cent of Agreement Sales		Total Agreement Sales: Per Cent of Total Sales of Distributor		Total Agreement Sales: Per Cent of Gasoline and Service Station Products Sales (Purchased, Produced and Agreement) to Service Stations		Total Agreement S[…] Per Cent of Purch[…] Produced and Agre[…] Sales S.S. Produc[…] to Service Statio[…]	
	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1956	1955	1[…]
Anglo American	90.6	90.0	5.6	5.8	3.8	4.2	-	-	9.7	8.7	21.1	19.6	71.9	70[…]
Anglo-Canadian	-	-	-	-	-	-	-	-	-	-	-	-	-	
B.A.	55.3	60.6	10.3	3.7	34.4(1)	35.7(1)	-	-	1.6	1.2	4.9	3.7	29.0	22[…]
Canadian Oil	74.6	74.2	1.6	1.5	23.8	24.3	-	-	8.2	7.7	14.4	14.1	62.6	6[…]
Canadian Petrofina	73.6	67.2	9.4	5.8	17.0	27.0	-	-	5.7	8.1	11.6	14.7	55.5	68[…]
Champlain	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cities Service	99.7	99.2	0.3	0.5	(2)	0.3	-	-	2.8	2.9	3.8	4.0	23.8	26[…]
Fed. Co-op.	-	-	-	-	-	-	-	-	-	-	-	-	-	-
P. M. Fleming	100	100	(2)	-	(2)	(2)	-	-	0.9	1.0	1.4	1.5	10.0	12[…]
General Oil	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Great West	-	-	12.5	8.5	87.5	91.5	-	-	0.3	3.5	0.3	3.6	2.7	30[…]
Home	70.8	75.6	8.0	8.1	14.4	15.1	6.8	1.2	3.6	3.1	9.1	7.6	64.1	59.[…]
Husky	100(3)	100(3)	-	-	-	-	-	-	1.0	1.0	n.a.	n.a.	n.a.	n.[…]
Imperial	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Irving	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Joy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lion	-	-	-	-	-	-	-	-	-	-	-	-	-	-
North Star	72.8	69.0	6.5	6.5	20.7	24.5	-	-	4.6	4.2	16.3	18.0	78.0	81.[…]
Radio	96.0	96.0	1.7	2.0	1.7	2.0	-	-	3.7	2.9	7.5	6.1	50.5	42.[…]
Regent	86.5	84.4	14.5	15.6	-	-	-	-	0.6	0.6	2.1	2.2	24.3	27.[…]
Reliance	88.6	81.2	9.1	6.0	2.3	12.8	-	-	3.1	2.9	n.a.	n.a.	n.a.	n.a[…]
Royalite	86.0	85.0	2.0	2.1	12.0	12.9	-	-	0.3	1.3	3.4	8.0	9.8	29.[…]
Shell	73.9	72.2	9.7	7.9	16.4	19.9	-	-	3.4	3.3	13.0	12.7	54.7	56.[…]
Standard	62.8	70.7	10.0	10.6	27.2	18.7	-	-	1.4	1.3	4.9	4.8	49.4	49.[…]
Sunoco	100	100	-	.	-	-	-	-	1.9	1.9	4.0	4.0	29.5	32.[…]
Supertest	-	-	39.4	32.9	60.6	67.1	-	-	1.5	1.4	2.3	2.2	15.8	15.[…]
Texaco Canada	83.4	84.4	9.5	8.3	7.1	7.3	-	-	6.1	5.8	11.3	12.2	52.3	55.[…]
United Farmers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Vigor	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wainwright	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Western	-	-	-	-	-	-	-	-	-	-	-	-	-	-

(1) Includes some additives.

(2) Less than 0.1 per cent.

(3) Includes batteries and accessories.

Note: No data for Planet.

In column headings "Service Station" or "S.S." products include oils, greases, anti-freeze, additives and T.B.A. products but excludes gasoline.

than 0.1 per cent to 39.4 per cent in 1955 and from 0.5 to 32.9 per cent in 1956. For the 17 companies reporting agreement sales of accessories, sales in the same years totalled $3, 846, 000 and $4, 871, 000. As a proportion of total agreement sales for the individual companies agreement sales of accessories ranged from less than 0.1 per cent to 87.5 per cent in 1955 and from 0.1 to 91.5 per cent in 1956. Only one company reported agreement sales of anti-freeze, amounting to only a small proportion of the total agreement sales. Thus agreement sales of T.B.A. products and anti-freeze, as reported, totalled $22, 377, 000 and $26, 015, 000 in 1955 and 1956. These figures may be compared to totals for the same products of $24, 958, 000 and $27, 512, 000 sold by reporting principal distributors themselves acting, (except for anti-freeze in one instance) as distributors. Agreement sales as a proportion of total sales of the individual oil companies ranged between 0.3 and 9.7 per cent in 1955 and between 0.6 and 8.7 per cent in 1956.

Total sales to service stations of service station products and gasoline by the principal distributors combined with sales under market access agreements exceeded $384, 997, 000 and $429, 916, 000 in 1955 and 1956 respectively as shown in Table 25. Of these totals, sales of service station products accounted for $72, 736, 000 and $81, 065, 000 or 18.9 per cent in each year. Agreement sales of T.B.A. and anti-freeze would thus comprise 5.8 per cent in 1955 and 6.0 per cent in 1956 of the gasoline and service station products totals. Such agreement sales as a proportion of each reporting company's total sales of gasoline and service station products to dealers ranged from 0.3 to 21.1 per cent and from 1.5 to 19.6 per cent in the same years. Agreement sales as a proportion of the total reported sales of service station products to dealers (i.e. excluding gasoline) were 30.7 per cent in 1955 and 32.1 per cent in 1956 and, for individual companies, ranged from 2.7 to 78.0 per cent in 1955 and from 12.0 to 81.5 per cent in 1956.

Table 25

Sales to Service Stations of Gasoline and Service Station Products by Principal Distributors and Under Market Access Agreements, 1955 and 1956

Item	1955	1956
Produced and Purchased Service Station Products	$50, 359, 000(1)	$55, 050, 000(1)
Market Access Agreement	22, 377, 000	26, 015, 000
Total Service Station Products	72, 736, 000(1)	81, 065, 000(1)
Produced and Purchased Gasoline and Service Station Products	362, 620, 000(2)	403, 901, 000(2)
Total Gasoline and Service Station Products	384, 997, 000(3)	429, 916, 000(3)

(1) Excludes Joy and Reliance - no data.

(2) Includes Joy composite data: excludes Reliance and excludes Husky gasoline sales - no data.

(3) As in (2) but includes Reliance agreement sales.

Commissions to the oil companies under market access agreements, as shown in Table 26, totalled $2, 184, 300 and $2, 519, 800 in 1955 and 1956, or 9.8 and 9.7 per cent of total agreement sales in the same years. Commissions on tires and tube sales amounted to $1, 769, 800 and $2, 060, 700; on batteries, to $173, 000 and $158, 600; on accessories, to $240, 000 and $300, 300, and on anti-freeze, to $1, 500 and $200 in the same two years respectively. As shown in Table 27, commissions as a percentage of agreement sales for the individual reporting oil companies, ranged from 5.5 to 12.5 per cent in 1955 and from 5.4 to 12.5 per cent in 1956.

Table 26

Commissions Received by Principal Distributors on Market Access Agreement Sales to Service Stations, 1955 and 1956

Item		
Tires and Tubes	$1, 769, 800	$2, 060, 700
Batteries	173, 000	158, 600
Accessories	240, 000	300, 300
Anti-freeze	1, 500	200
All Products	2, 184, 300	2, 519, 800
As Per Cent of Total Agreement Sales	9.8	9.7

Table 27

Commissions Expressed as Percentage of Market Access Agreement Sales, by Principal Distributors, 1955 and 1956

Distributor	1955 Per Cent	1956 Per Cent
Anglo American	12.3	12.3
Anglo-Canadian	-	-
B.A.	8.3	8.2
Canadian Oil	8.9	8.8
Canadian Petrofina	10.3	9.8
Champlain	-	-
Cities Service	10.0	10.0
Fed. Co-op.	-	-
P. M. Fleming	10.0	10.0
General Oil	-	-
Great West	6.2	6.3
Home	8.9	9.2
Husky	12.5	12.5
Imperial	-	-
Irving	-	-
Joy	-	-
Lion	-	-
North Star	8.4	9.2
Radio	10.0	10.2
Regent	10.0	10.0
Reliance	9.3	9.6
Royalite	9.6	9.6
Shell	9.5	9.3
Standard	9.3	9.0
Sunoco	9.3	9.6
Supertest	5.5	5.4
Texaco Canada	11.4	11.1
United Farmers	-	-
Vigor	-	-
Wainwright	-	-
Western	-	-

2. Position Taken by Principal Distributors with Respect to Enforcement among Service Station Dealers of Full-Line Forcing and Directed Buying Policies

In the questionnaire sent to principal distributors in 1958, the oil companies were asked to describe their general practice in connection with requiring or encouraging service station dealers to conform to their exclusive full-line forcing or directed buying policies. The following extracts are from the replies received to this question. It will be recalled that a detailed analysis of pertinent sections of the leases, mortgage forms and other written agreements used by the oil companies is given in Appendix V below.

(1) Anglo American:

"As far as the Company is concerned, the policy is as set forth in the Service Station Lease Form . . . and in the Dealer Agreement Form . . . copies of which were forwarded to the Commission under our return of February 22, 1956 and no further steps are taken beyond those set out in the above mentioned agreements. . . . "

(Anglo American: Return of Information)

Copies of these documents were enclosed as Exhibits H and I to the 1958 return and relevant sections have been quoted in Appendix V below, pages 373 - 375.

(2) Anglo-Canadian:

"The company encourages the sale of its branded products through its owned and operated outlets although it also handles products of other companies to meet public requirements.

It does not require any other type of outlets to purchase requirements of automotive oils, greases, anti-freeze, additives or T.B.A. products sales from the company or from suppliers designated by the Company."

(Anglo-Canadian: Return of Information)

(3) B.A.:

"The general policy presently followed by the Company in requiring or encouraging the operators in the underlisted classes of outlets to purchase their requirements of automotive oils and greases, anti-freeze, additives and T.B.A.

products from the Company or designated suppliers, and the measures taken, if any, to ensure compliance by any such operators with the Company's policy is as follows.

(a) Outlets owned or leased by the Company and operated by it.

The Company rigidly adheres to the policy of selling its own products but carries lines of T.B.A. products that are not distributed by the Company.

(b) Outlets owned or leased by the Company and operated by Lessee Dealers.

Almost without exception the Lessee Dealer signs the Company's S.D.45, [Service Station Lease] S.D. 139 [Equipment Loan and Retail Dealer Agreement] and T.B.A. 2[T.B.A. Contract]. Under the terms of these agreements the Company is required to supply and the dealer undertakes to buy the Company's petroleum products (including oils and greases), anti-freeze, tires, tubes, batteries and accessories distributed by the Company to the exclusion of competitive brands. (The Lessee Dealer is, of course, at liberty to handle lines of T.B.A. products not included in the Company's accessory programme).

It is highly unlikely the Company would, in any circumstances, permit the Lessee Dealer to breach this commitment so far as gasoline or diesel fuel are concerned. With very few exceptions the same policy would apply with respect to competitive oils and greases. There are, however, cases where, either at the time of the making of the lease or subsequently, the Lessee submits strong representations to support the marketing of competitive brands of oils and greases, in which event the Company may condone or permit the practice under the lease terms.

With respect to anti-freeze, tires, tubes, batteries and accessories, and notwithstanding the contract provisions, it is, in fact, common practice to meet the request or preference of customers, for Lessee Dealers to obtain competitive products in these categories from other suppliers. The Company does make available to its dealers an attractive bonus arrangement as outlined in Form T.B.A. 2 to encourage the purchase by the dealer of tires, tubes, batteries and accessories distributed by the Company. Where, however, the Lessee Dealer wishes to purchase these products from some other

supplier, the Company does not take action to compel compliance, by the Lessee, with the contract terms. Where, however, the Lessee Dealer wilfully and without the Company's concurrence breaches the provisions respecting gasoline, diesel fuel, oils and greases the Company would enforce the remedies available to it under the contract or in law.

(c) Outlets to which the Company has extended direct financial assistance secured by mortgage or otherwise secured.

Almost without exception the B-A dealer signs the Company's S.D.68, [Loan Agreement] S.D.139 and T.B.A.2. The legal effect of these arrangements is to impose the same requirements and obligations as stated under para. (b) above and again it is highly unlikely the Company would in any circumstances permit the dealer to breach his commitment so far as gasoline or diesel fuel are concerned.

With respect to oils, greases, anti-freeze, tires, tubes, batteries and accessories, the Company endeavours to have the dealer sell the products distributed by the Company, particularly its oils and greases. Where, however, the dealer insists upon dealing in or a customer wishes to purchase oils and greases other than those distributed by the Company, then the Company frequently condones the purchase and sale of such competitive products, this being almost invariably on the basis that the major portion of oils and greases handled will be those sold by the Company.

The Company encourages the purchase by the dealer of anti-freeze, tires, tubes, batteries and accessories distributed by the Company by the T.B.A.2 bonus arrangement above mentioned. Where, however, the dealer prefers to deal in or a customer wishes to purchase products of this category other than those distributed by the Company, then, in some cases, the contracts are amended to so permit and in the balance of cases and notwithstanding the contract provisions the Company does not insist on compliance.

(d) Outlets whose dispensing or other equipment is owned by the Company.

This broad category can be broken down into two main subheadings: (i) mortgage financed and (ii) independent

dealers, all of whom are in possession of loaned equipment in addition to identification signs and poles.

With respect to class (i) the same legal position, Company policy and practice as outlined in para. (c) above would apply.

With respect to class (ii) the same legal position, Company policy and practice as outlined in (e) below will apply.

(e) Outlets independently owned and operated.

This category consists of independent dealers none of whom are in possession of loaned equipment, except identification signs and poles. With very few exceptions the dealer signs the Company's S.D. 139 and normally signs the T.B.A.2, though this is not a requirement of dealership. Regardless of whether or not a dealer signs the T.B.A.2 he is at complete liberty to buy his anti-freeze, tires, tubes, batteries and accessories from whatever supplier he wishes.

With respect to oils and greases the Company attempts through salesmanship to encourage the dealer to purchase (and the dealer normally does purchase) his requirements of these products from the Company. Where, however, the dealer elects to purchase part or all of his requirements of these products from another supplier then, notwithstanding the provisions of S.D. 139, the Company takes no action to compel compliance with the contract terms.

(f) All Company retail outlets have been included in categories (a) to (e).

In reply to Question 6 we have submitted the standard Company forms normally used by the Company. However, in a Company of this size it is inevitable that many special agreements will be prepared in consideration of individual circumstances involved. These contain conditions or provisions relating to the sale of the Company's products to the same effect as in the Company standard forms. . . ."

(B.A.: Return of Information)

Copies of the documents referred to above were enclosed as Exhibits to the 1958 return and relevant sections have been quoted in Appendix V below, pages 378 - 381. It is not known whether

this policy extends to the six stations of Canadian Petroleum Co. Ltd., which was acquired by B.A. in November, 1957. (See footnote p. 181 below)

(4) B.P.:

While B.P. was not operating during 1955 and 1956 for which years statistical data were obtained, the Company through acquisition of a number of small service station chains and through its own expansion has become a significant competitor in the retail distribution of automotive products. It is, therefore, desirable to present the Company's views on the question of enforcement.

> "While the agreements between the Company and its dealers provide that the dealers will purchase their requirements of automotive oils, greases and anti-freeze from the Company, no measures have been taken by the Company to enforce these provisions. While the Company has agreements with suppliers of nationally known T.B.A. products under which such products may be available by such suppliers to its dealers and the Company notifies its dealers to this effect, no measures have been taken by the Company to ensure that its dealers purchase such products from such suppliers."

(B.P.: Return of Information)

(5) Canadian Oil:

> "With regard to paragraph 12, may I say that insofar as is possible, we endeavour to have our operators purchase their requirements of automotive oils and greases, anti-freeze, additives and TBA products from the Company or other supplier designated by the Company. We are not always successful in this and to the best of my knowledge have never taken any action against any dealer to insure compliance with this policy."

(Canadian Oil: Letter dated June 13, 1958, accompanying Return of Information)

By letter dated June 30, 1959, circulated to its dealers, in the Eastern Division of the Company at least, Canadian Oil apparently tried to ascertain the division of the dealers' purchases of T.B.A. products between Company-designated suppliers and others. Correspondence received by a Canadian Oil lessee and submitted to the Director indicated the Company attempts to keep records of such purchases.

In February, 1959, Canadian Oil terminated a lease with one of its dealers in the Ottawa area. The principal reason alleged by the lessee for cancellation of his lease was his failure to conform to the Company's requirement that its dealers buy T.B.A. products from designated suppliers or where available, those brands of T.B.A. products being supplied by the Company itself. In effect denying this allegation, the Company stated:

> ". . . we try, insofar as possible, to have our operators purchase these products either from us or from our sponsored suppliers. We are not always successful, nor is any other oil company, but this has never been used as an exclusive reason for terminating a relationship with a dealer. I think an examination of almost any of our stations will disclose products of one kind or another which are not sponsored by Canadian Oil."
>
> (Canadian Oil: Letter dated November 19, 1959)

(6) Canadian Petrofina:

> "In the case of the three Company-operated outlets, the Company handles TBA products furnished by the appropriate supplier listed in Paragraph 7. [of the Company's return of information]
>
> In the case of outlets classified under Paragraph 3(b) of the Questionnaire, the Company recommends to such outlets, but does not insist, that they purchase their requirements of TBA products insofar as is possible from the suppliers referred to in Paragraph 7 above. There are no agreements, however, to this effect between the Company and its Lessee-Dealers and such Lessee-Dealers are free to purchase where they so desire.
>
> In the case of outlets classified under 3(c), which are financially assisted by the Company, the Company incorporates in the mortgage documents a requirement that such outlets will purchase their requirements of TBA products from suppliers designated by the Company. This stipulation is predicated on the fact that the Company is extending to such outlets unusual financial support over and above the normal practice. However, notwithstanding this practice, in many cases a retail outlet to be assisted by way of mortgage loan may not wish to enter into this commitment and, in such cases, the Company waives this requirement and does not insist that the financial assistance be conditional upon this commitment.
>
> In the case of retail outlets classified under 3(d) which are neither owned nor financially assisted by the Company, the Company does not, in any manner, require such outlets to

purchase TBA products from the suppliers referred to in Paragraph 7 and such outlets are free to purchase their TBA requirements from whatever source they desire.

No enforcement, penalties or consequences exist or are contemplated for failure to comply with the recommendations or requirements stated above."

(Canadian Petrofina: Return of Information)

(7) Champlain:

"Subject to the replies given in paragraphs 6 & 7, and as previously outlined in our return of November 16, 1953, [paragraph 6 - documents used to effect leases, loans, retail dealer agreements, etc; paragraph 7 indicated no market access agreements with outside suppliers] the Company does not, by agreement or otherwise, require any retail outlets to purchase any supplies of T.B.A. products from any suppliers or from the Company itself. Company's retail outlets are free to purchase T.B.A. products from any supplier of their own choice, and, in fact, in many instances to do [sic].

Notwithstanding the existence of a Motor Oil & Grease Agreement, as per exhibit submitted herewith, there is no compulsion on our part to require the dealer to purchase his requirements from the Company, and we have many dealers who secure all or part of their automotive oils and greases from sources other than the Company."

(Champlain: Return of Information)

(8) Cities Service:

"The Company solicits the purchase by the operators of the retail outlets of classes (a) to (e) in paragraph 3 [of the questionnaire and return of information] of their requirements of the products referred to from the Company or from the suppliers of tires and tubes mentioned in paragraph 7. The Company respects the right of operators to refuse to purchase from the Company or such suppliers of products not marketed under the Company's name, and to handle competing lines. The Company expects operators to purchase from the Company products marketed under the Company's name."

(Cities Service: Return of Information)

(9) Federated Co-operatives:

"To encourage our retail members to support their own wholesale organization we hold membership meetings, managers' conferences, merchandise meetings, and supply technical assistance in merchandising operations, accounting, auditing and personnel training. In a voluntary, democratic co-operative organization, full information to the managers and members , free discussion of policy and plans and efficient business operations is the only lasting method to get the full support of the owners. This very briefly sets out our operating policy and philosophy."

(Federated Co-operatives: Return of Information)

(10) P. M. Fleming:

"The general policy of the Company is to encourage retail outlets to purchase requirements of merchandise resold by them, from this Company or from this Company's designated supplier. There is no control by the Company to ensure compliance to this policy, but rather the co-operation of the retail outlets is requested."

(P. M. Fleming: Return of Information)

(11) General Oil:

"The Company wishes the operator to purchase its oils it handles but it does not insist on the operator to sell the company's oil and encourage[s] the operators to handle a variety of oils so he can service customers and in this way increase his gasoline volume."

(General Oil: Return of Information)

(12) Great West:

"The Company's policy is described in the various Exhibits 1 to 8 [lease, mortgages, etc. and analysed in Appendix V below]. The Company takes no measures to ensure compliance by any operators."

(Great West: Return of Information)

(13) Home:

"The Company's policy is to sell all classes of our dealers on the benefits of buying their requirements of automotive oils and greases, anti-freeze and T.B.A. products from the Company. These benefits embrace the following:

1. Highest quality products.
2. Competitive prices.
3. The Company offers its dealers quantity discount on the purchase of tires, tubes and rubber accessories.
4. Convenience of purchasing from one supplier.
5. Tie-in with Company advertising and promotion for re-selling.
6. The use of Company's credit card system for time selling.

Other than sales effort, no measures have been taken to insure [sic] that our dealers buy the Company's automotive oils and greases, anti-freeze and T.B.A. products."

(Home: Return of Information)

(14) Husky:

"Company's policy insofar as restricting operators of retail outlets to the purchasing of their requirements from the Company or from suppliers designated by the Company is as set out in our Service Station Lease, Clause No. 20; Retail Dealer Sales Agreement, Clause No. 4; Application for Mortgage Loan, Clause No. 5. The aforementioned agreements and leases are attached . . . [see quotations and references to these clauses in Appendix V below].

The Company has not taken any measures to date to insure compliance by operators with the Company's policy."

(Husky: Return of Information)

(15) Imperial

"As shown by the answers to questions 8, 9, and 10, the Company does not designate suppliers of the listed products but itself sells such products, except additives, directly to operators of retail outlets.

In so far as this question is not answered by the replies to paragraphs 6, 7, and 8 of this Return and the answers to

questions 11 and 12 of the Company's Return of August 7, 1953, the general policy presently followed by the Company in requiring or encouraging the operators in each class of outlet listed in paragraph 3 to purchase their requirements of the aforesaid products from the Company, is to rely on salesmanship to show the operators the competitive advantages in dealing in the Company's products. These advantages include the standards of quality which the Company maintains, the value of the Company's nationally and internationally recognized trade mark brands and the Company's advertising and sales promotion programs in connection therewith, and the volume discounts made available in respect of the listed products. However, in practice all classes of outlet, with the exception of the Company operated station referred to in subparagraph (a) of question No. 3, handle to some extent brands of the listed products other than those sold by the Company."

(Imperial: Return of Information)

(16) Irving:

"To the best of my knowledge the Company has never taken legal action to ensure that operators purchase their requirements from the Company."

(Irving: Return of Information)

(17) Joy:

Joy stated they had no general policy of requiring or encouraging the Company's operators to purchase their requirements of service station products from the Company or designated suppliers.

(18) Lion:

"No encouragement offered except that where our equipment is involved, we reserve the right to remove same."

(Lion: Return of Information)

(19) North Star:

"Lessees of Company owned service stations are required, as a condition of their lease, to purchase from the Company automotive oils, greases, anti-freeze and additives, and to purchase T.B.A. products from suppliers designated by the Company. In the case of automotive oils, greases, anti-freeze and additives which the Company either manufactures or blends or buys as finished product for resale, the lessee is

required to handle such products through the Company owned station in the same manner as he is handling gasoline being sold by the Company. Failure to do so constitutes a breach of lease.

The Company itself does not handle T.B.A. products but merely recommends suppliers as stemming from arrangements with suppliers described in Question 7. The lessees of Company owned premises are required to use the Company's premises for that purpose but in case of breach no disciplinary steps are taken outside of sales persuasion.

In the case of financed dealer premises the same comments apply as in the case of Company owned stations, but no disciplinary measures would be taken in case of breach except sales persuasion.

In the case of private dealers operating under a buyer's agreement or having equipment on loan, a routine sales effort is made to have the dealers handle the products in question."

(North Star: Return of Information)

(20) Radio:

"Not all stations deal with Firestone even though it is suggested they do, and no pressure is brought to bear to conform, but it has been shown over a period of time that most operators have chosen to deal with Firestone because of their policies and cooperation."

(Radio: Return of Information)

(21) Regent:

". . . The Exhibits referred to in the answer to paragraph 6 [leases, equipment loan agreements, dealer sales agreement, etc.] contain the general policy presently followed by the Company in requiring or encouraging the operators in each class of outlet listed in paragraph 3 to purchase their requirements of automotive oils and greases, anti-freeze, additives or TBA products from the Company or from suppliers designated by the Company.

As stated in the Company's return of September 3, 1953, the Company does not require any retail outlets to purchase any supplies of TBA products. These products are sold by the operator of the outlet by or through arrangements or agreements between the operator or one or more of the suppliers

referred to in paragraph 7 above. Apart from mortgaged Service Stations, the Company does not 'require' the purchase of such TBA products, although it does recommend to the operator the products of the suppliers referred to in paragraph 7 above.

With respect to Company-owned outlets and/or third party leased Service Stations operated by lessees, those lessee-dealers who verbally agree with the Company to enter into arrangements with certain of the suppliers referred to in paragraph 7 above are, if necessary, reminded of their verbal arrangements; with respect to mortgaged Service Stations, the Company designates in writing the names of the suppliers from whom TBA products are to be purchased under the terms of the agreement (See Exhibit No. 11) and, if necessary, the specific clauses in the agreement dealing with such products are brought to the attention of the operator from time to time by means of a letter. Should the mortgage account fail to make such purchases, payment of the mortgage in full may be demanded and, in default of such payment, proceedings for foreclosure and/or sales are taken.

In case of agreements covering purchase of Company's own products, operators of outlets who have signed such agreements are from time to time reminded of their obligations to make such purchases, in accordance with the terms of such agreements, without recourse to legal proceedings in the event of default."

(Regent: Return of Information)

(22) Reliance:*

"The company's policy has not changed materially since the previous inquiry and the answer I am listing here is exactly the same as the answer we gave to the previous inquiry.

This Company does not handle T.B.A. products itself.

All Company lessees are required to purchase their requirements of T.B.A. from one of the sources with whom we have an agreement as set out above.

The Company does not require retail outlets to purchase supplies of T.B.A. products from the suppliers referred to in

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* See footnote 7, p. 26 above.

paragraph 7 except where the Company has loaned money on a mortgage, in which case the T.B.A. clause in the mortgage listed in paragraph 6 (c) would cover. The Company tries to get this clause included in all mortgages but is not always successful.

It is a condition of the granting of a lease to any tenant that he will buy wholly from the sources indicated and if he did not his lease would be broken and the Company could dispossess him. No such action has every [sic] been taken by the Company.

There are no requirements as to retail outlets and hence no penalties except at locations governed by the mortgage clause referred to in paragraph 6 (c) above, in which case the penalty is that the Company in the event of breach may demand its money. No such demand has ever been made by the Company.

I believe that a fair assessment of the situation with regard to T.B.A. whether at Lessee stations or independent outlets is that we would like these people to handle the lines on which we can receive a commission, but our business is selling petroleum products and we would not want any outlet handling our petroleum products to lose a customer because that customer could not get the brand of T.B.A. he wished. There is, therefore, no full enforcement by the Company of T.B.A. clauses, even at Lessee stations. Actually there has never been any problem of enforcement since the wide choice permitted has been sufficient to satisfy our Lessees, and if they have a customer who desires an outside brand, the Company's policy is to see that the customer is satisfied.

Being a small company, Reliance has not yet felt that it could afford the time, money and effort required to merchandise T.B.A. lines itself and we have, therefore, been content to take a small commission on T.B.A. from other suppliers rather than go after the larger profit which would result from handling such lines ourselves."

(Reliance: Return of Information)

(23) Royalite:

"The general policy followed by the Company as regards Lessee Dealers and other Dealers buying their T. B. A. & Oil requirements from the Company approved Suppliers is as follows:

(a) Lessee Dealers - Their rental is based on gallonage obtained (gasoline & oils) plus T.B.A. revenue, therefore, the size of the volume of T.B.A. & oil volume purchased by them has a direct bearing on the average rental paid by the Lessee Dealer.

(b) Dealers - Financially assisted by the Company - It is agreed by contract that this class of dealer agrees to buy T.B.A. from the approved suppliers of the Company

(c) Dealers - Independent - No arrangements.

General

The measures taken by the Company to ensure compliance by any such operators is as follows:

Compliance with contractual obligations has been effected by bringing to the violator's attention any infraction; to date no other action has been deemed necessary by the Company.

It is explained to all classes of dealers along the lines in 13 (a) and (b) [supra] but it is also pointed out that unless our suppliers are competitive as to quality, service and price the company cannot expect them to carry out their contractual obligations and requests that they notify the Company of any cases so that the Company may investigate."

(Royalite: Return of Information)

(24) Shell:

"The general policy of the Company regarding purchases of automotive oils and greases and antifreeze by each class of outlet listed in paragraph 3 of the questionnaire is contained in the agreements set forth in the reply to question 6. There are no agreements respecting the purchase of these products from suppliers designated by the Company or respecting the sale of additives.

The Company's general policy with regard to the purchase of tires, batteries and automotive accessories by operators of each class of outlet listed in paragraph 3 is set out in Exhibit FOUR which consists of a sheet from the District Marketing Manual."

(Shell: Return of Information)

The pertinent sections of the documents referred to above are discussed in Appendix V, pages 423 - 426.

(25) Standard:

"The general policy of the Company is to encourage all operators at all outlets listed in paragraph 3 of the said notice, to use the Company's products and the products designated by the Company. It is the policy of the Company to sell its own products exclusively through its own operating units to the greatest extent possible. However, the Company does not act as a wholesaler of TBA items and, therefore, must purchase these items from other suppliers. It is the policy of the Company to require lessee dealers at outlets owned or leased by the Company, to purchase the Company's products and products designated by the Company. It is the policy of the Company to require, by contract, operators who have received financial assistance from the Company by way of mortgage, to purchase the Company's products and products designated by it. It is the policy of the Company to require outlets using dispensing or other equipment owned by the Company, to use such equipment only for the sale of products purchased from the Company or designated by it.

The Company has not found noncompliance by dealers with their purchase obligations to be a significant problem and has not found it necessary to exercise enforcement remedies. Basically, the Company feels that all purchases made on the Company's credit cards should be either Company's products or products recommended or designated by the Company. The Company feels it should not be required to carry credit on the sale of articles in which it has no financial interest unless there is some other adequate quid pro quo. The Company, therefore, reserves the right to reject credit card tickets carrying merchandise or charges not authorized by the Company.

The Company does not try to enforce covenants by mortgagors to handle TBA items designated by the Company. Failure on the part of mortgagors to handle exclusively the major products of the Company, such as petroleum products, goes to the root of the agreement between the mortgagor and the Company, and the Company would feel entitled to ask for repayment of money owed in the event of breach of this covenant by the Mortgagor. In fact no difficulty arises on this subject, and no such action has ever been taken. No lessee dealer has ever attempted to sell petroleum products other than the Company's with the exception of minor quantities of competitive lubricating oils, which by mutual consent is

permitted in violation of the terms of the agreement between the lessee dealer and the Company.

With specific reference to tires and batteries, at leased accounts operated by lessee dealers, and very occasionally at mortgage accounts, the Company has told dealers that failure to purchase designated products could result in:

(a) withdrawal of credit card privileges on the sale of those products;

(b) an increase in rent to compensate for loss of revenue; or

(c) a request for a higher interest rate, which would, of course, have to be negotiated in the case of mortgage accounts.

The Company has never found it necessary actually to take action in line with the above."

(Standard: Return of Information)

(26) Sunoco:

"Automotive oils, greases, anti-freeze, additives and T.B.A. products are offered for sale to dealers by Sun Oil Company Limited in competition with other brands of these products on the basis of offering better quality, competitive prices and public acceptance. The decision to buy or not to buy is left entirely with the dealer.

As an incentive to encourage dealers to buy these products from Sun Oil Company Limited, we offer quantity discounts on motor oils and an annual refund plan on batteries and accessories, with the amount of the refund being based on total annual purchases per contract year.

Tires and tubes and rubber accessories are offered for sale to Sunoco dealers by both the B. F. Goodrich Canada Limited and the Goodyear Tire and Rubber Company of Canada Limited, in competition with other brands. Here again the choice of whether or not the dealer buys from either of these companies is left entirely with the dealer."

(Sunoco: Return of Information)

(27) Supertest:

"The Company's salesmen following normal sales practices encourage the operators, in each class of outlet listed in paragraph 3, to purchase their requirements of automotive oils and greases, anti-freeze or TBA products from the Company or from suppliers designated by the Company. The Company does not take any measures to enforce compliance with the Company's policy.

In 1957 49.1% of all outlets selling the Company's products did not purchase any tires and tubes from the Company; 61.5% did not purchase any batteries and 60.8% did not purchase any accessories from suppliers designated by the Company. The Company has no record of the number of outlets supplied by it which purchase part or all of their oil, grease and anti-freeze requirements from sources other than the Company."

(Supertest: Return of Information)

(28) Texaco Canada:

". . . The exhibits referred to in the answer to paragraph 6 contain the general policy presently followed by the Company in requiring or encouraging the operators in each class of outlet listed in paragraph 3 to purchase their requirements of automotive oils and greases, anti-freeze, additives or TBA products from the Company or from suppliers designated by the Company.

As stated in the Company's return of September 28, 1953, the Company itself does not sell any TBA products, which products are sold by the operator of the outlet by and through arrangements or agreements between the operator and one or more of the suppliers referred to in paragraph 7 above. Apart from mortgaged Service Stations, the Company does not 'require' the purchase of such TBA products, although it does recommend to the operator the products of the suppliers referred to in paragraph 7 above.

With respect to Company-owned outlets and/or third party leased Service Stations operated by lessees, those lessee dealers who verbally agree with the Company to enter into arrangements with certain of the suppliers referred to in paragraph 7 above are, if necessary, reminded of their verbal arrangements; with respect to mortgaged Service Stations, the Company designates in writing the names of the suppliers from whom TBA products are to be purchased under the terms of the

agreement (See Exhibit No. 11) and, if necessary, the specific clauses in the agreement dealing with such products are brought to the attention of the operator from time to time by means of a letter. Should the mortgage account fail to make such purchases, payment of the mortgage in full may be demanded and in default of such payment, proceedings for foreclosure and/or sale are taken.

In case of agreements covering purchase of Company's own products, operators of outlets who have signed such agreements are from time to time reminded of their obligations to make such purchases, in accordance with the terms of such agreements, without recourse to legal proceedings in the event of default."

(Texaco Canada: Return of Information)

(29) United Farmers:

"As pointed out in (11) [paragraph 11 of the questionnaire] almost all of our retailing operation is conducted from combination plants where the dealer is also our agent. It is therefore advisable from the point of view of their own interest to retail the products of the company they represent as agents. We do not find it necessary to otherwise encourage compliance with company policy."

(United Farmers: Return of Information)

(30) Vigor:

"As a requirement of leasing the station the lessees are normally obligated to handle our branded products, but are not required to handle any tires, batteries or accessories. The Company's policy is to confine its sales to gasoline and oils, and to allow the lessees to seek their tires and batteries on the open market without any restrictions by the Company itself."

(Vigor: Return of Information)

(31) Wainwright:

"No action is taken by the Company to require or encourage operators in any class of outlet to purchase automotive oils, greases, anti-freeze etc: other than the offering of these products to operators by the Company's subsidiary at a

favorable price. [Stewart Davis Oils Limited] Some of the dealer agreements, such as set out in Exhibit 'E' [to the Company's return of information] provides that in return for the certain investments made, funds advanced or equipment loaned, the dealer will purchase exclusively from the Company or its subsidiary. However, in practice, dealers are not required to adhere to this agreement, and in many cases dealers carry a stock of most popular brands of motor oils and anti-freezes."

(Wainwright: Return of Information)

(32) <u>Western:</u>

"The general policy followed by this company in enquiring [presumably means 'requiring'] or encouraging operators to purchase their requirements of automotive oils, greases and anti freeze from us is given below.

Para. (2) of our Purchase-Lease Agreement, which is in effect where financial assistance has been given, specifies that the equipment will be used only in connection with the sale of the company's products .

and Para (3) specifies that we may terminate the Agreement should the Lessee break or fail to perform any condition.

However, in actual practice, we are well aware that other companies' brands of oil are maintained at most of the points where we do business. We are prepared to admit that many gasoline customers have a preference for certain brands of oil and that if they are unable to obtain them at our retail outlets, they will do business elsewhere.

We do a fair amount of radio advertising to popularize our grades of oils; we assist in making displays at retail outlets and encourage the dealer to sell our oil by giving him a better profit margin on our product than he is able to obtain on other brands."

(Western: Return of Information)

(33) <u>Planet:</u>

"Covered by our Lessee Dealer Agreement.

(Planet: Return of Information)

3. Position taken by the Principal Distributors on the Present Methods of Distribution of Service Station Products

The principal distributors were asked by the Director to express their views on the economic effects of full-line forcing and directed buying policies and market access agreements upon the trade in service station products and upon the general public (See Appendix II for a copy of the Director's letter sent to the distributors). The following are the relevant extracts from the replies received:

(1) Anglo American:

"1. Company Owned Outlets

Under this type of outlet, where the lands, buildings and equipment are owned by us, we request the service station operator to carry our sponsored lines, such as; gasolines, oils, greases, tires, batteries, tubes, anti-freeze and certain types of accessories. This we feel is justified under our service station lease and dealer agreement as we are providing all of the facilities for the operator to run a service station business.

With regard to prices charged to the operator for products purchased, the Company in all cases has to be competitive with suppliers of like products, and in no instance, to the best of the writer's knowledge, is there any discrimination against the operator pricewise; in many instances the operator can purchase more advantageously through the Company, because of the Company's ability to purchase from manufacturers on a bulk basis.

It should also be pointed out that from Anglo's point of view the number of products manufactured or sponsored by us is very small in comparison with the total number of items sold by the operators, who, without exception, are selling products other than those manufactured or sponsored by the Company.

Dealing with the question of oil companies designating the products to be sold from Company owned outlets, we are of the opinion there are very few specialists among the operators of the various service stations, and, as a result, the majority of operators rely to a large extent on the oil companies for assistance in sales promotion and solicitation to the general public; also, the oil companies carry a substantial portion of the service station operators' credit through sales of products on credit cards and we would estimate that this would average approximately 40% of the operators' gross sales.

2. Lessee-Operated Outlets

We presume that this type of outlet is classified as being one that is leased by the Company from the owner thereof, and the Company, in turn, subleases same to an operator of its own choice.

In the case of lessee-operated outlets, the Company feels that the same privileges should be granted to the Company as those mentioned in connection with item number (1) above.

We might also state that in many instances the Company leases to the operator at a lower rental than that which the Company is required to pay to the owner and that the Company is in effect subsidizing the operation.

3. Mortgaged Outlet

This type of outlet is privately owned but the owner has applied for and received mortgage assistance from the Company either to the full value of the building constructed, or for the partial value thereof, plus assistance on the supply and installation of equipment.

In return for such mortgage assistance, the owner grants a mortgage in favour of the Company and also enters into a collateral Tie-Up Agreement with the Company pursuant to which he agrees, inter alia, that he will purchase all his requirements of gasolines, oils, greases, tires, accessories, etc., from the Company, for a certain period of time as set forth in the Mortgage. The Company, of course, would not normally grant any mortgage assistance without the owner entering into such collateral Tie-Up Agreement, and the Company feels that it should be entitled to the same privileges as those which it has under item (1) above.

4. Independent Outlets

This type of outlet is privately owned and the Company supplies products to the dealer as required by him. The dealer purchases products and the like in accordance with the terms of the Company's standard dealer agreement which was previously filed with our letter to you dated February 27th, 1958 and marked as exhibit (1).

It should be borne in mind that while the Company has no direct interest in the dealer's operation we do solicit his business and endeavour to supply his requirements through sales promotion, and the Company does assist in

the maintenance and general upkeep of the service station; as for example, servicing of pumps, hoist and compressor and painting the service station buildings.

In view of the circumstances outlined in connection with items (1) to (4) above, the Company feels it should have the privilege of distributing its manufactured and sponsored lines exclusively through the various types of outlets considered in this letter.

In each case, the agreements and contracts have been freely entered into by the operators and dealers, and in no way has any pressure been brought to bear on the dealership that could be classed as discriminatory.

Regarding the economic effects of the policies outlined in this letter, it is the feeling of the Company, that the dealer prices in effect to the retail trade, are just and sound. The oil companies do not set the retail prices on products sold by the service stations to the consumer, and we understand that such prices are set by the service station retailers association, or by the operators themselves.

In conclusion, since the oil companies and the service station dealers and operators are participating in a highly competitive market, it would appear that most of the factors involved tend towards the maintenance of satisfactory prices to the general public."

(2) Anglo-Canadian:

No views expressed.

(3) B.A.

"1. British American's policy and its factual background relating to the distribution and sale of automotive oils, grease, anti-freeze, additives, tires, batteries, parts accessories and related products has been stated to you in letters and returns bearing the following dates -- September 1, 1953; September 10, 1953; March 6, 1958 and August 21, 1959. Because of the extent of the information already furnished to you, we assume that it is not necessary at this time to restate the facts relating to the Company's policy on the sale of these products as referred to in the second paragraph of your letter.

2. You refer to the comments you have received bearing on the economic effects of such policies. British American comments in this regard as follows:

(a) From the standpoint of the manufacturer, British American's policy provides a market for his products which assists him in scheduling his production and controlling his inventories; since British American pays cash for its purchases and its credit is good, the manufacturer's financing is also assisted.

(b) From the standpoint of the wholesaler or distributor (with whom British American does not deal directly), the Company's policy provides him with competition in the limited market represented by British American outlets, but does not preclude him from selling his products to these same outlets, whether such products are already stocked by the dealer or are of a kind not supplied by British American.

(c) From the standpoint of the service station operator, the Company policy provides quality products at competitive prices and under competitive conditions plus nation-wide experience in the marketing of products and services for the motoring public. Whether or not British American meets competitive prices and conditions the service station operators, who are essentially independent business men although selling under the British American identification, may still purchase elsewhere if they so desire. It should be emphasized that British American's policy does not include the sale of the full range of automotive accessory products but rather is limited to those essential to meet the convenience of the motorist who requires and is entitled to adequate one stop service on a routine or emergency basis.

(d) From the standpoint of the general public, British American's policy is designed to provide the one stop service already referred to, offered by a reputable corporation at reasonable and competitive prices, in order to contribute to the comfort and safety of the motoring public.

In summary, British American has a substantial investment in marketing facilities whether owned, lessee operated, assisted by mortgage or independent and considers its policy to be warranted by its legitimate desire to realize a reasonable level of earnings from this investment. Such policy is further warranted by British American's view that the products it sells other than gasoline are as much the proper function of a service station in rendering service to the public as is the sale of gasoline itself. British American's further view is that its policy results in fair competition at the manufacturing, wholesale and retail levels and provides the motoring public with convenient access to products which they need at a fair price and at a reliable standard of quality. The policy is certainly not

designed to adversely affect the public interest but rather is designed to enable British American and its dealers, on a legitimate basis in a free enterprise business climate, to compete with others including, for example, department stores, chain stores and automotive accessory houses."

(4) B.P.

"1. Automotive Lubricants

It is part of the agreement with the operator, whatever may be his contractual obligation towards us, whether lessee, mortgagor or simple supply contract, that he will purchase exclusively from us his requirements of automotive lubricants. The sale of these products forms an essential part of the business of a petroleum refiner and marketer and we feel that we are justified in seeking this agreement to purchase our products from an operator whose outlet is identified with our sign and trade mark.

2. Antifreeze

For many years it has been the custom in the petroleum industry in many countries to market antifreeze under a brand name and bearing the supplying oil company's trade mark. This practice arose largely from the need to protect the consumer from dubious brands of this article. We feel that it is reasonable to seek an agreement from operators of outlets identified with our sign and trade mark to purchase our branded antifreeze; a considerable amount of goodwill is dependent on the provisions of a really reliable product and we hope by this means to protect it.

3. Additives

This company does not, at the present time, market any additives. If, however, we were to do so and they were to be a petroleum product, we feel we should be justified in seeking agreement from operators to purchase our brand rather than a competitive article.

4. Tires, Batteries and Accessories

We have no exclusive agreement with any operator of any station identified as a BP outlet which will require him to purchase these articles from any particular manufacturer or supplier. With the aim of ensuring, however, that only first-class and reputable articles of this nature will be offered for sale to the public through our retail outlets, we have agreed

with certain manufacturers and accessory supply houses that they may freely solicit the trade of these outlets and that we will recommend to the operator that he purchase from such approved suppliers. There is, of course, no contractual obligation on the operator to do so nor would we wish to bring pressure to bear on him to buy from these suppliers other than by pointing out that it is in his own interest to ensure that his stock of this type of item is of first-class quality.

5. Class of Outlet

It is the policy of this company to ensure that operators of service stations identified by the BP sign, irrespective of the type of contractual relationship with the company, are treated alike as far as the purchase of automotive products is concerned. This policy is set out in detail in paragraphs 1 - 4 above for the various classes of product.

6. General

In the circumstances of today's retail gasoline market a number of factors come to mind which it may be worth noting. Firstly, the retail price of gasoline is unsettled and at such a level as to make the marketing of this product a barely profitable operation. This state of affairs stems largely from the operation of Section 34 of the Combines Act which inhibits manufacturers from setting the retail price of their product and leaves the way open to unscrupulous marketers to use a high-quality product as a 'loss-leader'. This marketing technique has already been applied to gasoline in a number of instances.

Secondly, the increasing capital cost of new retail outlets, whether company-owned or not, makes the task of securing a return on investment even harder.

These two factors, in our view, make it essential for a reputable marketer to adopt policies which ensure that both the service given at, and quality of product sold through, his branded outlets is second to none. Only in this way can he look to secure the public's confidence, always assuming that his prices are fair. It is, therefore, very much in our interest to ensure that these two criteria are met. The temptation to operators to purchase second-rate products in the circumstances outlined above is an obvious one and we regard it as reasonable that we should have a certain minimum of contractual obligation on them which will guard against this.

We feel that we have been most fortunate so far in our relations with service station operators and we have not, up to the present time, had to take measures to enforce any of the contractual obligations referred to."

(5) Canadian Oil:

"In your letter of February 23 regarding the above matter, you have asked us to express our general views with regard to the activities of the oil industry in the distribution and sale of oils and greases and what is commonly known as T.B.A. items.

Insofar as automotive oils and greases are concerned, these are petroleum products manufactured by the oil companies and one of the reasons why service stations are provided is to develop markets for these very essential products of the oil industry, and I can see no cogent reason why a company should not, as a condition precedent to the granting of a lease, require the operator to deal exclusively in these products manufactured by the oil company. The other items are possibly in a different category.

The oil industry, over a period of years, has in some ways been extravagant in the distribution of its products. It has provided service stations of the most modern design and equipped them accordingly and provided wash rooms and all of the other facilities which the motoring public has come to expect. In addition thereto, the standard of service provided at these outlets is second to none in any other industry. I know of no distribution centre that provides equal service. The comparison with the standard set at our service stations and the chain stores, for instance, is quite apparent. We not only insist that windshields be wiped, free air and water be provided, and all the other items which again the motoring public has come to expect, but in recent years the establishment of credit through the issue of credit cards has placed a burden on the marketing end of the oil industry to a point where the profits on this phase of the business are marginal.

There was a time when we could expect to rent a service station property and obtain a rent therefrom which would cover taxes and insurance and provide a reasonable return on the investment. Today this is true only in a very few instances and we are continually looking for ways and means of providing profit upon which to justify the investment necessary to provide the motoring public with satisfactory service.

One of the items which has received and will continue to receive a lot of attention is the distribution of the so-called T.B.A. items through our outlets, and let us be quite honest and admit that T.B.A. revenue to the average oil company is a very important item. It can also be a very substantial item to the operator of the service station and we are continually trying to impress upon our dealers and lessees that they should push these items in order to provide themselves with a satisfactory income.

A service station, regardless of whose it may be, to the motoring public, is an outlet of the supplying company and the service and products sold therefrom reflect upon the supplying company. Such being the case, I do not think it unreasonable that the supplying company should dictate the quality of merchandise which is sold from the outlet. If a dealer or lessee were to sell inferior tires or batteries or other items, it would reflect immediately upon the company, not upon the dealer, and this is one reason why we have endeavoured to have our dealers and lessees stock merchandise in which we have complete confidence.

Some years ago, when petroleum products were not as good as they are today, additives of one kind or another were produced and sold through service stations to the motoring public and in some instances were beneficial to the operation of a motor car. With the progress, however, of petroleum technology, most of the benefits derived from these so-called additives are now built in to the motor oils and gasolines dispensed by the service stations and they are no longer necessary for the efficient operation of a motor car. However, there are still some companies who constantly endeavour to effect the sale of these products through our outlets and in the final analysis the motorist who uses these products is paying for something that he does not need. I would suggest that your department has undoubtedly received complaints from this type of organization.

The average motorist today expects the service station to provide him with a complete service for his motor car and it is essential therefore that a progressive dealer or lessee should maintain in stock the usual items such as tires, batteries and major accessories which the motorist is likely to require and referring to what I have previously said, I am of the opinion that the supplying oil company should have a measure of control over the type of merchandise which is marketed from its outlets.

The tire companies and the large accessory houses are quite happy with present arrangements for it precludes the necessity of them providing outlets for the specific purpose of merchandising their wares and the over-ride which is paid to the oil companies, I submit, is less than the cost of establishing these outlets. In the final analysis, the motorist pays less for these items than he otherwise would. Insofar as Canadian Oil Companies, Limited is concerned, we have override arrangements with numerous tire companies and accessory houses. We merchandise our own batteries, oil filters and anti-freeze so there is no overriding commission involved in these items, and as time goes on we intend to expand this range to the larger items in which the volume is substantial.

In all of our arrangements with dealers, lessees, mortgage accounts, etc., we have a clause which provides that the operator of the station will carry only those lines which are marketed or sponsored by us, but as we have previously advised you, we know of no instance where we have taken action against a dealer for a breach of these particular covenants. We recognize the fact that each service station operator is an independent business man and as such is entitled to some freedom of action and you will find in many of our service stations soft drink dispensers, sandwich bars, etc. from which we as a company derive no profit, and which in a strict interpretation of our leases, etc. could be prohibited but we are anxious that our dealers should make a good living from the operation of our service stations for if the dealer cannot do so, again it creates an unhappy situation which very often again reflects on the company."

(6) Canadian Petrofina Limited

"In our opinion, this Company's methods of operation with respect to the products mentioned are described at length in the various submissions we have made under the present Inquiry and after giving the matter our most serious consideration, we have come to the conclusion that it would not be proper for us to express our views in answer to the rather general questions raised by you, particularly at the present stage of this Inquiry.

In particular, we anticipate difficulty in trying to answer these questions with any degree of accuracy. We are asked to comment upon the economic effects certain policies or 'practices' might have upon manufacturers, wholesalers, and service station operators, as well as upon the public at large. In order to arrive at any valid conclusions, we would be obliged to consider carefully facts and statistics which relate

not only to our own Company and the petroleum industry but also to other industries as well and we would require access to information which is simply not available to us.

In the result, we do not feel qualified to attempt to answer your letter in detail but we do appreciate the fact that you have given us the opportunity to make our views known."

(7) Champlain:

"Replying to your letter of February 23rd under the above subject, and further to Declaration and Questionnaires in your possession, the Company is still not a party to any agreement, verbal or written, with any supplier of T.B.A. products, or Service Station or garage equipment, and consequently we receive no bonus, rebate, commission or other payment or allowance under any agreement.

Neither have we any agreement with our Dealer organization obligating them to purchase their T.B.A., or Service Station or garage equipment from, or through, this Company. Many of our dealers buy their T.B.A. products from Suppliers other than ourselves. In other words all T.B.A. products are purchased directly by the Company, as a principal, from its Suppliers and are then resold to its retail outlets.

We handle and sell to our retail outlets a large variety of products under many trade-marks, and as indicated in a previous declaration we have at least thirty such suppliers. We have no long term arrangements with any suppliers. We do not establish prices at which retailers sell to the consuming public.

Notwithstanding the existence of a Motor Oil and Grease Agreement, as per exhibit previously submitted, we have many Dealers who secure all, or part, of their Automotive Lubricants from sources other than this Company.

The practice of selling Tires, Tubes, Batteries and Automotive Accessories, through Service Stations seems necessary and essential, and a service that the motoring public needs and expects. Such products can also be purchased by the public from numerous automotive supply stores, department stores, chain stores, etc., and in our opinion nothing in the foregoing can be construed as in restraint of trade, or detrimental to the public interest. The arrangement does not exclude competitors from the market, does not limit production, and does not fix prices to the public, in other words the public derives all the benefits of real competition.

In establishing our own position, we are not condemning the arrangements other Companies may have. We are not convinced or sure that the practice of over-riding commissions does actually contravene the Combines Investigation Act, or whether such a practice is detrimental to the public interest."

(8) Cities Service:

"We take it that no one has any serious objection to the service station operator handling T.B.A. products as a part of the complete and all-round service which he offers to the motoring public; but that such objections as have been made are to the role of the oil company in this picture. We do not, of course, pretend to speak for any other oil company. We feel very strongly that anything we can do to assist the Cities Service operator to provide this complete service to the motoring public is of benefit both to the operator and to the motoring public he serves. Unquestionably we assist the operator when we make T.B.A. products of uniform quality readily available to him. In so doing we hope to enable both the operator and our company to make a profit and at the same time to enable the motorist to purchase T.B.A. products at economical prices."

(9) Federated Co-operatives:

"1. Federated Co-operatives is owned by 477 member locals, as well as other nonprofit institutions, therefore it is natural that these member co-operatives should buy their supplies from their own wholesale. A number of co-operatives with service stations do, in the most part, buy their supplies from their own wholesale, 'Federated Co-operatives Limited,' if the wholesale stocks the merchandise required.

Federated Co-operatives Limited has a policy of financially assisting its member co-operatives to build service stations, and in these cases we do enter into a management agreement whereby Federated has an influence in selection of management of the station, and in these cases we do influence the station in buying their supplies from their own wholesale, Federated Co-operatives Limited.

2. Our organization recommends to the member locals with service stations certain suppliers of automotive parts. In these cases our recommendation is on the basis of what suppliers can give the service stations quality, service, and products. In these cases our central organization does not receive any commission whatsoever, therefore we

consider this recommendation as a service to our member co-operatives, to assist them in knowing the best sources of supply, however, the final decision as to the supplier is left to the local."

(10) P. M. Fleming:

This Company controlled by B.P.

(11) General Oil:

No views expressed.

(12) Great West:

No views expressed.

(13) Home:

"Our marketing of TBA items is limited to tires, batteries and anti-freeze, and a negligible quantity of items available from our supplier of tires. All items of TBA are purchased outright by us and are resold to our dealers and consumer customers. Manufacturers have normal competitive opportunities to sell such items to us. Since we are supplying petroleum products to dealers, this method of marketing TBA avoids unnecessary duplication of selling, servicing, accounting, and credit expense.

We have no overriding 'commission' or like arrangement on any items sold by our dealers.

It is our policy, as stated in previous submissions, to sell all classes of our dealers on the benefits of buying their TBA requirements from our Company. The advantages to our dealers embrace the following.

1. Quality products at competitive prices.
2. Convenience of purchasing from one supplier in matters of interviewing salesmen, bookkeeping, credit arrangements, etc.
3. Tie-in with Company advertising and promotion for reselling.
4. The use of Company credit card system for time selling.
5. Company training programs.

Evidence of our policy of non-coercion of dealers and of the market supplied by our competitors is indicated by the following:-

41% of our dealers do not buy the tires we market.
61% do not buy our batteries.
29% do not buy our anti-freeze.
Many who do buy the items marketed by us sell competitive lines also.

TBA items are not providing the profit to the majority of service station dealers that could be realized because unfortunately they do not merchandise the lines aggressively. The service station is the logical place for motorists to buy their TBA requirements but approximately two-thirds of the market is supplied by others. It is evident dealers who do merchandise aggressively can compete successfully with department stores, automotive supply stores, and the direct sales outlets of manufacturers. Dealers have the opportunity within their own control to sell a greater percentage of the market and increase their profit on TBA.

The buying public is protected on quality, service, and price, by the extremely competitive marketing methods prevailing as referred to in the previous paragraph.

Although reference is made in the subject matter at the head of your letter to sale of automotive oils and greases, we suggest those products are so definitely part of the petroleum family and our normal marketing business, any criticism from other suppliers is hardly warranted, and again the buying public is protected by the operation of free competition."

(14) Husky:

"Our position as a marketer of petroleum products does not conform to the same pattern as that of our large competitors. We are an independent, fully integrated oil company. We do not have the advantage of a large national or international advertising program.

We do advertise and develop sales promotion material for the 170 petroleum outlets that presently sell Husky brand products. Our main methods of appealing to the consumer trade is by constructing attractive outlets, maintaining high standards of cleanliness and service, and selling high quality products.

The quality of our products is important because all gasoline, diesel fuel, lubricating oil, grease or T.B.A. items sold represents the Husky standards of doing business to a much greater degree than if sold by a major oil company.

If a motorist has engine trouble while using a major company's gasoline, he generally takes his car to a garage for repair. If he has trouble while using our gasoline, he generally blames the gasoline for his difficulties. The major company has established a good reputation for quality products while our company is still in the process of selling the public that we are merchandizing only high quality products.

We must, therefore, guard against the selling of any inferior products from any of our outlets much more closely than the major companies.

Our company has only expanded its marketing outlets in the past five years. At the beginning of 1955 we had twenty-eight outlets located near Lloydminster refinery as compared to 170 today spread from Calgary and Edmonton in the west, to New Liskeard, Ontario in the east.

In our first eight years of operation beginning in 1947, we bought or developed only twenty-eight outlets. We were only casually in the marketing of gasolines and diesel fuels. We had not developed any definite policy regarding T.B.A. items, lubricating oils or greases.

With the acquisition, improvement, and expansion of our Fort William and Moose Jaw refineries we began to build service stations and bulk plants to sell Husky brand products. We also began developing our merchandising programs and policies.

We virtually had to start from scratch in developing, training, teaching and counseling dealers. Our early failures taught us one important point; that if we were to be successful in competing with existing petroleum marketing outlets it was necessary that our dealers made a profit and a comfortable living. Failures were costly to everyone concerned.

We also learned that the dealer had to do a well rounded selling job if he were to make a profit commensurate with other job opportunities. And so the need for a T.B.A. program became apparent.

We believed that by taking on a line of tires and accessories sold by the tire company, (Goodrich), our problem was solved. A few dealers took on this tire line but the jobbers who handled the Goodrich accessories paid little or no attention to our dealers.

Automotive supply houses had a field day stocking our outlets, particularly our new 'Travelcentres' which we had built,

(a brochure describing these outlets is attached), costing around $200, 000. each.

Practically all our dealers were inexperienced business men in this new field and relied heavily on the advice of the various sales representatives contacting them. Little consideration was given to inventory turn-over or other principles of good business management.

Many of the dealers were soon unable to pay for the gasoline they purchased because the automotive supply houses were demanding their money for accessories and other miscellaneous items still unsold. Money was diverted from gasoline sales to pay off other creditors. In several cases business failures resulted, causing us grave concern.

We then approached one large national jobber and suggested that they take over the sales of accessories to our outlets. It was agreed that slow moving or obsolete merchandise could be returned for credit and that their sales representatives would assist in training our dealers in selling the accessories they placed on their shelves. We in turn were to receive a small over-ride.

This program did not get off the ground, as the sales representatives of the jobber showed little interest in our potential business for various reasons.

We had, in the meantime, developed a bookkeeping system for our dealers. We sold a few dealers in 1956 on using this system. It proved its worth in comparison to the use of outside accountants who were generally always behind in their work and although a profit and loss statement was prepared, it was difficult to ascertain how some dealers had made a profit, but more particularly, why others were suffering a loss.

We now demanded that each new lessee use our monthly bookkeeping system and profit and loss statements. (A copy is attached.) We expanded our Marketing Services Department so they could analyse the results of each operation and advise and counsel with the operator.

We placed greater emphasis on the importance of good business procedures and training of our dealers to understand a profit and loss statement. We increased and improved our methods of teaching in the handling of credit, inventories, selection and training of employees. We began from the ground up teaching and training our dealers in every phase of the operation.

We had also taken over the responsibility of teaching the best selling methods for tires, batteries, anti-freeze, and other accessories. In addition to our own sales representatives, we developed a mobile sales service trailer equipped with a motion picture projector and other paraphernalia necessary to train dealers and their staffs.

We now believe that we can take a man of average intelligence, ambitious, in good health, with some business acumen and guarantee him success in one of our operations. We are prepared to subsidize him until he gets his feet on the ground and is making a suitable profit.

We enlarged our sponsored line of tires from one to three; Goodrich, Firestone and Goodyear. The tire companies give more sales help to our dealers than any of the other suppliers. A dealer usually selects the brand of tire he wants to sell, either because he is impressed with a particular tire salesman or because his competitor across the street or around the corner is not handling the same brand of tire. The dealer chooses the company he will deal with and makes all credit arrangements necessary.

In the middle of last year we introduced a line of Husky brand T.B.A. items. They are as follows: Husky Batteries, Husky Anti-freeze, Husky Purolater Oil and Air Filters, Husky Brake Fluid and Husky Battery Straps and Cables, all high quality products. Husky is a jobber for all five items.

Our monthly business records kept by our dealers indicated that the sales of batteries was negligible compared to the potential. A valuable source of profits was being overlooked. All types of batteries were being stocked and inventory losses had been high. Many of our dealers were reluctant to get into the battery business because of previous experiences. We took the bull by the horns and started a real sales training program which ended up with an effort to standardize the brand, keep investment in inventories at a minimum, and develop real profits for the dealer. Battery sales by our dealers have increased over 200% since we launched our program.

Air and oil filters duplicated our experience with batteries except that sales at the dealer level increased about 1,000%.

We wanted a high quality anti-freeze and brake fluid sold from our units. We have had numerous complaints about both products so we finally included these two products in the line.

A simplified plan for stocking and selling battery straps and cables was presented to us and we adopted it to assist our dealers with their inventory problems.

We have about 10,000 Husky Credit Cards in good standing. Our company has always permitted the purchase of authorized tires and tubes on our credit cards. Last summer we extended credit privileges to cover all authorized T.B.A. items and launched a budget plan whereby a customer can buy up to $20.00 worth of tires, tubes or batteries and get three months terms. Purchases over $20.00 can be handled on six months terms, all without extra cost to the dealer or customer.

The company bears all the expense of administering and financing the deferred payment plan.

We also, as a company, build and construct a petroleum marketing outlet at a cost of from $50,000. to $200,000. We train the dealer in sound business procedures and principles. We analyse his profit and loss statement, advise and counsel with him. We subsidize him until he is successful. We train him in service station operation and in selling techniques. We handle all good credit risks for all authorized products and extend budget terms on large ticket items so that he can aggressively sell any one for cash or credit.

We supply him with the highest quality petroleum products and require that he handle the same quality in T.B.A. items.

We believe we are entitled to a service consideration on tires in order to be able to handle the credit and budget terms that dealers must have if they are to compete with chain stores.

Our credit card losses are greater than the service consideration on tires and the profit from the other T.B.A. items combined.

We do not have any tie in with any motor supply house. We do attempt to police and prevent overstocking. We object to cluttering up our display rooms with gadgets and gimmicks that have no relationship to the service station business.

All of our own retail sales outlets handle tires. 8 out of 62 independent dealers and 6 out of 11 mortgage accounts do handle tire lines from which we receive a service consideration.

The following is a summary as of December 31, 1959, of the type and number of outlets that handle the Husky brand T.B.A. products and sponsored tires:

	Tires	Batteries	Filters	Cables & Straps	Brake Fluid	Anti-Freeze	Total No. Units
Co. owned Travelcentres	12	12	11	6	7	8	12
Co. owned Service Stations	12	18	10	4	8	18	25
Mortgage Accts	8	2	1	1	0	4	11
Indep. Dealers	8	7	5	2	3	7	62
Indep. Distr.	-	4	1	1	1	4	16
Bulk Agents	-	0	0	0	0	6	44
	40	43	28	14	19	47	170

In some cases we have difficulty in being competitive in price and service with other suppliers. Independent dealers generally have tie ups with other suppliers that have existed for a long time and are satisfactory. We would not be marketing Husky branded gasolines and diesel fuels, if we could otherwise dispose of the production of these products from our three refineries. Our marketing of gasolines and diesel fuels through the Husky branded outlets is expensive.

Any dealer who can pay full rent and the cost of maintenance, insurance and taxes on his land, building and equipment, runs a good sound business and handles his own credit, can buy any tire, tube or accessory he pleases. You can buy almost any brand of lube oil at any of our stations now, which explains our reason for not dealing with this product separately.

We sincerely hope that your investigation of the anti-combines aspect of the subject matter does not lead to punitive action against the larger companies which will inevitably hurt the small independent oil company and business man first."

(15) Imperial:

"Our first return of information to you in connection with this inquiry was in 1953. At that time you were interested in our policy and the statistics relative only to tires, batteries and accessories. In the interval, your inquiry has been broadened to include oils and greases.

We believe that different considerations apply to petroleum products than to TBA items. The former consist of gasolines, oils and greases manufactured from crude oil in our refineries and generally, though not exclusively, marketed under our Esso trade marks. Our Dealer Franchise Agreement is a contract with service station operators whereby we offer to supply and the operator agrees to purchase all his

requirements of petroleum products. From our standpoint, we must find an outlet for gasolines, oils and greases produced in our refineries. The quality, service and credit which must be established with the public as being associated with our name requires that our products exclusively or almost exclusively will be found at stations identified as Imperial's. Accordingly, we offer, as a package, to service station dealers the complete range of petroleum products required by the motoring public. There is no monopoly in this business but on the contrary intense competition amongst suppliers and between service station dealers. We are convinced that our dealers are in accord with us in believing that our petroleum products franchise on its present terms is satisfactory and in their interest and that of the general public. Moreover, an offer to supply related articles (such as petroleum products) as a package deal to a retail outlet is a general practice in many industries in Canada and, we respectfully suggest, not open to question on legal or economic grounds.

Tires, batteries and accessories are on a different footing. In the first place, we do not manufacture TBA items. They are bought from many suppliers by our subsidiary, Atlas Supply Company of Canada Limited and sold to Imperial Oil Limited at a profit. Imperial supplies the service station dealers, who handle our petroleum products, with TBA at their request. A large number of TBA items including tires are marketed under the Atlas trade name. In the second place, there is no requirement that service station dealers, buying our petroleum products, must also buy all or any part of their TBA requirements from us or that, if they buy part of those requirements from us, they must deal exclusively with us. You have copies of our service station contracts. TBA items are covered by a separate contract and one which deals only with the dealers' requirements for 'Atlas Products'. Our return of information to you in August 1953 showed that of the 9,103 dealers operating company-owned and independent outlets, 3,332 only had signed a contract for Atlas products. Practically all of the dealers operating company-owned service stations sold Atlas products but of the 8,238 dealers operating independent outlets only 4,719 sold Atlas tires, 3,537 sold Atlas batteries and 3,871 sold Atlas accessories. Today, because of the increasing advantages to the dealers inherent in Atlas products, the percentage of our Esso dealers who handle those products has increased but even so we estimate that in 1959 over 2,000, or approximately 30%, of those dealers did not handle Atlas products and a very large percentage of those who did also handled large volumes of TBA items not marketed by Imperial. There are a large number of accessory items not essential for running repairs and which,

accordingly, we do not handle, and a larger number of items involving engine and body parts, ignition systems, etc., which, chiefly because of complications of installation, are also not included among Atlas products.

Our conclusion, based on these statistics and a long established marketing practice, is that there is no evidence of undue coercion, persuasion or compulsion practiced by us in respect of the marketing of Atlas tires, batteries and accessories. Imperial does not obtain an overriding commission from suppliers of TBA items but instead buys those items, performs many functions and supplies a number of services with respect thereto and resells at a profit to service station dealers.

It is obvious that service station dealers must handle tires, batteries and accessories in order to satisfy their customers' demands. We are competing successfully, because of our competitive advantages and not as a result of any exclusive arrangement, with other suppliers of TBA items for the market available at the Esso retail outlets. The advantages to dealers handling Atlas products explain our success, probably also explain why competing suppliers have complained, and are as follows:

1. We maintain over eighty depots across Canada with stocks of TBA items. This results in quicker access by our dealers to needed supplies and almost all dealers have insufficient storage space to stock a complete line. There are eighty-two different passenger tire types and sizes, forty-one different truck tires, twenty-four batteries and well over one thousand different accessory items. Moreover, our depots are situated to supply not only the lucrative markets but also the less accessible areas including the far north. We have recently been air freighting TBA supplies to dealers in the Northwest Territories. Most other competing suppliers are interested only in the centres of high population.

2. The service station dealer acts as salesman, store manager, mechanic, accountant and often the supervisor of a number of employees. He works long hours and requires assistance and special services from his supplier. TBA specifications and requirements, as dictated by car and truck manufacturers, are constantly changing. We supply specification books and keep them up-to-date at considerable cost. We will also supply, on request, a pricing book covering the more than one thousand items of Atlas TBA and showing his cost and a suggested gross profit for each item. In view of the number of articles involved, the constant change therein and the demands on the dealer's time, these services are of obvious

benefit to him.

3. The Atlas line of essential TBA items is more complete than that offered by competing suppliers. Change-overs of car models, the introduction of compact cars and foreign made cars must be followed quickly by new and different types and sizes of tires, batteries and accessories. The dealer benefits from the completeness of the Atlas line and appreciates that we have a policy of keeping up with his changin requirements without regard to the profit potential in any one little-used item. Moreover, he need deal with only one sales-man who is already supplying his petroleum products. We believe that our service station dealers often use the Atlas contract as an excuse for brushing off the importunities of other salesmen, handling a limited or single line of merchan-dise, with whom the dealer in the nature of his business has no time to negotiate.

4. We offer dealers an arrangement whereby they obtain delivery of tires on consignment. Payment is made to us when the tires are sold by the dealer thereby helping him to finance his inventory. Our dealer's customer is probably using an Imperial credit card and can use it for purchases of Atlas products. Credit card purchases of tires and batteries can be made on three or six month terms without interest or carrying charges. We understand that competing suppliers of TBA are not offering as generous credit to the dealer and obviously do not provide the dealers' customers with a credit system equivalent to our credit card. We have previously referred to our supply depots across Canada. They permit the dealer buying Atlas products to reduce his inventory financing charges The many aspects of the above financial arrangements add up to a service which helps the individual dealer compete for the business of the motoring public and promotes the sale of Atlas products.

5. Atlas products include nearly all TBA items required by our service station dealers, apart from repair items normally associated with garage or mechanical work. Volume discounts on Atlas products, which are based on the value of annual purchases, would not be available to the dealer buying TBA from a number of suppliers. These discounts are printed in our Atlas contract and range up to ten percent and are in addition to the normal trade discounts.

6. A written guarantee by Imperial Oil Limited of Atlas tires and batteries, providing for adjustment and replacement at many thousands of service station locations across Canada and the United States, is a very strong point

in our sales approach to the motorist. Even the largest tire or battery manufacturer or wholesaler cannot offer equivalent assurance or service.

7. Quality control is an important element of our Atlas TBA marketing policy. Each item marketed is submitted by us to the Atlas laboratory for testing. This involves test bench examination of material and workmanship, comparison of performance against approved standards, and road testing. Many items are rejected, others are improved before acceptance. Last year, we spent $72, 000 in laboratory fees for this work, which are exclusive of costs of testing and control performed by our own staff. Many cheaper lines of products marketed in Canada are not handled by us. These include a complete line of tires of low quality available in popular sizes and many low output or low power-retention batteries. A number of anti-freeze compounds are unacceptable because of poor quality, particularly high evaporation characteristics. We specify brake fluid able to resist a temperature of 400°F. Many brake fluids with a lower vaporization temperature are sold in Canada at lower prices. Through maintenance of these high standards and their association with the Atlas brand, we have built up a goodwill or public acceptance which helps our dealers and benefits the buying public. It is worth emphasizing that this quality control is exercised not by the manufacturers of the product but through Atlas Supply Company of Canada Limited which is able to choose the best amongst various available supplies and which orders in quantities large enough so that it can dictate standards of quality to the manufacturer.

From the above, we draw the following conclusions:

Our success in marketing tires, batteries and accessories through Imperial service station dealers is due to the many benefits available to those of our dealers who handle our Atlas products and is not due to pressure from us in the form of a tie-in between purchases of Atlas products and gasoline. Our TBA program sells itself to our dealers;

We have through quality control, national advertising, credit card facilities, availability and other means persuaded the motoring public to ask for Atlas products and thereby induce our dealers to stock those products;

The motoring public benefit from our TBA merchandising policies;

The advantages of quantity purchases and quality control by Imperial redound to the benefit of the dealer and help him to compete with the large accessory retailer; and

If we ceased marketing TBA products, the nature of the service station business and the characteristics of the TBA part thereof in particular are such that another supply house would inevitably expand into the vacuum.

There is strong competition amongst manufacturers and wholesalers to sell their TBA products to our subsidiary - Atlas Supply Company of Canada Limited. There is equal opportunity for all suppliers to sell to that Company. We believe that competition at that level is as beneficial to the public as competition at the service station level. We also believe that Atlas products and the services that go with them gain their present public acceptance from dealers and the motorist because of the normal competitive advantages described above. We suggest that there is no legal requirement that manufacturers and wholesalers of TBA items compete for business at the service station level. As noted above, any such requirement would probably result in increased costs or poorer service to the consuming public if indeed Government enforced competition at that level is workable.

We have built up across Canada a large organization concerned with supplying the requirements of our service station dealers. We work constantly at improvements in the appearance and utility of the retail outlets handling our petroleum products. Credit card facilities, at Imperial's risk, are widely used by customers of our service station dealers. Our advertising, designed to bring customers into those retail outlets, is self-evident. Finally, we perform a useful function in selecting, testing, wholesaling, financing, advertising and servicing Atlas TBA products. We, therefore, feel that criticism from competing suppliers of our method of supplying TBA or of our proportion of the TBA business at the Imperial service station is unwarranted. We also have good grounds for believing that dealer and automotive trade associations do not speak for the majority of the Imperial service station operators in any complaint they make concerning TBA marketing, if indeed their briefs and press statements are apposite to Imperial's TBA marketing policy. The Vancouver Province newspaper in commenting last week on a brief by the Automotive Retail Association of British Columbia to the Honourable Mr. Fulton stated 'a survey of operators under the Imperial-type system showed they are generally satisfied'.

Based on our own experience, it is our opinion that the facts do not support the criticism of TBA marketing by oil companies. The 1959 Canadian Consumer Survey conducted by the Canadian Daily Newspaper Publishers' Association contains statistics showing that Atlas tires had 8.5% of the Canadian market for replacement tires. The proportions for batteries and accessories is even lower. In the same year, our service station dealers marketed 25% of the gasoline sold at retail outlets in Canada. The same survey under the heading 'Tire buying habits - where do you normally buy your tires?' gave the following figures: service stations 33%, department stores 9%, garages 25%, accessory stores 23%, not answered 10%, total 100%.

The service station outlet is the logical and convenient point of sale for TBA items. The service station operator is selling to only one-third of his potential TBA market. Imperial is losing two out of every three potential TBA customers who buy its gasolines."

(16) Irving:

No views expressed.

(17) Joy:

No views expressed.

(18) Lion:

"Our function in the oil and gasoline business is more in the nature of a jobber or wholesaler. We do not receive any overriding commission from manufacturers. We buy directly and we in turn sell to the retail outlets, and other consumers.

We believe that this arrangement works well for all concerned."

(19) North Star:

"A company-owned service station involves a substantial investment. About a quarter of the building is devoted to the marketing of the T.B.A. items, which are handled directly between the supplier and our tenant operator, with no profit to us. We feel that the suppliers of such T.B.A. items should compensate us for our facilities in the marketing of their products, hence the commission arrangements between ourselves and such suppliers. Such commission does not in any way affect our tenant operators. They make their own

arrangements themselves direct with the various suppliers as to prices, terms, etc. Our tenant operators have a wide choice of dependable suppliers on whose products our customers can rely."

(20) Radio:

"Referring to the subject matter in your letter, we find it good business on our part to try to standardize the products our dealers handle. By discounting the various T B A items, we have found that it has brought business into our various stations. We have further found that by handling a nationally advertised product in our stations, it has helped us promote the sale of our various products.

Although we are a local company, we know that the petroleum products we make are of the finest, and by combining the two, our operators are much better off, and are encouraged by the confidence of the travelling public.

If, on the other hand, we did not have nationally advertised accessories, and our dealers were promiscuous in what they bought and handled, and passed on to the travelling public an inferior product, it would reflect back on our whole organization.

Therefore, we feel it is to our advantage to handle a nationally advertised product, and any commission we earn during the course of a year is usually used up in sales promotion and advertising of this product. In many instances, we must carry credit on these products, and that too has become a costly item. We believe that it is in the best interests of our business to continue the practice of helping our operators to get well established lines in order to help them as well as ourselves."

(21) Regent:

This Company is a subsidiary of Texaco Canada and associated itself with the views on this matter expressed by Texaco Canada.

(22) Reliance:

No views expressed.

(23) Royalite:

"Your enquiries specifically deal with the following

question:- 'What economic effect such policies have upon the businesses of such Manufacturers, Wholesalers, Service Station Operators and upon the general public.'

We feel that many factors are prevalent.

(a) From experience, it is more apparent every day that the motoring public are demanding greater service from the Dealer together with more adequate Service Station facilities. This in turn necessitates more spacious properties, and buildings, which require greater investment by the Companies concerned and therefore an increased revenue return either by rentals or by other means.

(b) Over the past years companies have had to increase their subsidies of outlets owing to the increased outlet cost, and this in turn, over the past 10 to 15 years, has decreased the earning capacity of the dollar invested by the Oil Companies.

(c) When new outlets are established it has been calculated that part of the revenue return would be from T.B.A. returns.

(d) Dealing directly with the policy of Royalite Oil Company, Limited while (a) (b) and (c) factors above prevail, our overall policy is as stated on Pages 8 and 9 under Section 13 (a) (b) (c) and general, of the original questionnaire.

(e) It should be clearly understood the wholesale prices on T.B.A. items are established by the Manufacturers, and to the best of our knowledge are not influenced by any contracts the Manufacturers or Wholesalers may have with Oil Companies.

(f) Credit is extended by the industry on T.B.A. items either by Open or Budget Accounts without cost to the consumer. This in part is made possible by commission arrangements or direct marketing of T.B.A. by the Petroleum Industry.

The general economic basis on which outlets have been established have taken these factors into consideration. It is therefore felt that the economic effect on the Petroleum Industry would be serious if this source of revenue were to be cut off."

(24) Shell:

"As a commercial marketing organization we are interested in the sale of T.B.A. products through our outlets because the promotion of the sale of T.B.A. along with other automotive products to our dealers is a business in which we are engaged. Since the transition of the gasoline filling

station to the automobile service station the merchandising of T.B.A. products at service stations has become an essential activity for the financial success of the station. The sale of T.B.A. products by our dealers advances their economic status as well as our own.

In the interests of both our dealers and ourselves we select for promotion quality T.B.A. products that possess a high measure of public acceptance for the reason that both our dealers and ourselves benefit economically from the increased sales volumes thus obtained. Such products also maintain the reputation and the high degree of public acceptance of products sold at outlets bearing the Shell emblem and colour scheme, and conversely avoid loss of goodwill to ourselves, and consequently to our dealers, necessarily arising from the sale of merchandise at Shell stations not meeting these standards.

Whether or not a dealer sells the line of T.B.A. we promote we give him full assistance in merchandising his product. We loan him display racks and shelving, advertising material and notice boards. We operate a clinic in conjunction with T.B.A. suppliers to train dealers in tire, battery, spark plug and brake service. At the service station we offer assistance in stockkeeping and the display and marketing of this class of merchandise. We give further aid to dealers by allowing Shell credit card holders not only to buy T.B.A. on our credit cards but to budget purchases over six months withou interest or service charges.

Our position in relation to our dealers with respect to the marketing of T.B.A. products, whatever the class of outlet may be, is contained in a letter which on June 1, 1956 our Vice President of Marketing wrote to all Shell dealers and which is still being forwarded to new dealers as they join our organization. This letter reads as follows:

> 'We, in Shell, are proud of our Dealer representation. We are also proud of the merchandise we recommend to you and the gasoline, motor oils, greases and specialties which we sell.
>
> 'We believe that merchandise must be sold on its quality, reasonableness of its price, and its public acceptance, rather than on contractual provisions. These are the facts which guide us in the selection of the line of tires, batteries and accessories which we sponsor. Consequently, if you refer to your contracts with us, you will not find a single provision obligating you to buy your

requirements of these items from or through us.

'We will continue to solicit your business for each of these items because it is a business in which we are engaged and because we feel that they will contribute to your overall success as a service station dealer. The extent to which we will enjoy your patronage must depend upon your voluntary acceptance of our product line and the service that we are able to render. Your business which we will at all times solicit will be very much appreciated.' "

(25) Standard:

"I have for reply your communication of February 25th concerning the above matter and have read the affidavit concerning company policy which was furnished in 1958. Since there has been no change in our policy since the affidavit was furnished in 1958 and since the views of management are necessarily reflected in company policy, there is really nothing useful I can add at this time, except to observe that the existing arrangements appear to be working satisfactorily and are beneficial to the public, to our dealers, and to ourselves."

See item (25) p. 97 above for the earlier statement of Standard's policy referred to in this quotation.

(26) Sunoco

"Sun Oil Company Limited, engaged in the production, sale, and distribution of petroleum products of its own manufacture, including gasoline, lubricants, and greases, distributes its products through outlets or service stations as follows:

(a) those owned or leased by the company and operated by it;

(b) those owned or leased by the company and operated by lessee dealers; and

(c) outlets independently owned and operated.

The first classification of business represents a small fraction, approximately 3% of the company's total business, the second classification would represent approximately three-quarters of the company's total business, and the third classification would represent approximately one-quarter of the company's total business.

Of course, Sun Oil Company Limited sells only its own

brands of petroleum products and designated tires, batteries, and accessories in stations classified as (a). Those classified as (b) and (c) are both handled in the same manner; namely, as hereinafter explained:

The company sells only its own branded gasolines, oils, and greases, and for the purpose of giving the purchasing public a complete service for its motoring requirements, a Tire Battery and Accessory Department is conducted by the company to which the company's dealers have ready access in order to fill their requirements in this connection. Tires, batteries, and accessories have become a necessary and integral part of the business of a service station, the dealer can more profitably and successfully conduct his business with the added revenue from T.B.A. and it enables him to give complete service to his customers; it is also to the interest of Sun Oil Company Limited to have its dealers engaged in the sale of T.B.A. as this builds a stronger dealer organization and gives a complete service and assurance of high quality goods to customers patronizing Sun Oil petroleum products in all territories in which the company operates.

Sun Oil Company Limited purchases outright practically all of the automobile accessories classified as T.B.A., and resells the same directly to its own dealers. Some of the accessories; such as, batteries, fan belts, etc., are manufactured for Sun Oil Company Limited and are sold under its Trade Name 'Sunoco'. Merchandise of this type carries with it the usual guarantee as to quality, etc., by Sun Oil Company Limited.

One of the commodities sold under T.B.A. is tires, and this item is handled in a different way inasmuch as Sun Oil Company Limited does not purchase and resell this commodity. After a careful investigation as to the quality and desirability of their respective products, two manufacturers of tires were selected and recommended by the company; namely, Goodyear and Goodrich. Sun Oil personnel, when calling on and interviewing prospective dealers for both new and established service stations, advise them of the importance of T.B.A. and recommend those products sold by Sun Oil and also the products of Goodyear and Goodrich. Advance notice of new station openings or changes is given to both Goodyear and Goodrich and these new dealers are introduced to the representatives of Goodyear and Goodrich, permitting such salesmen to complete unfinished business with an outgoing dealer and enabling them to anticipate and move promptly in handling the requirements of new dealers.

Sun Oil also gives assistance to dealers in arranging for Goodyear and Goodrich supplies as the occasion arises, and recommends minimum inventories that should be carried by dealers regarding this type of commodity. Sun Oil frequently conducts Dealer Meetings at which the sale of T.B.A. is discussed, and the representatives of Goodyear and Goodrich are permitted participation in these meetings if they so desire. Sun Oil also operates a Dealer Development School for dealers and prospective dealers which covers the display and merchandising of T.B.A. Products of Goodyear and Goodrich are used exclusively in the training school course, and representatives of these companies assist in the course given to the students. Sun Oil also makes T.B.A. products, including tires, available to its credit card holders, including merchandise sold on deferred payments up to six months by service station dealers without any carrying charge to the dealer or customer, which of course serves to augment the sale of Goodyear and Goodrich tires and accessories. For all these services, Goodyear and Goodrich pay Sun Oil a commission on the gross sale of their products through Sun Oil outlets.

The aim and object of Sun Oil Company Limited has always been to produce for the Canadian public the highest quality gasolines, oils, and greases, and other petroleum products, and to make available to the Canadian public through its service stations, T.B.A. which, in the opinion of Sun Oil Company Limited, is merchandise of equally high standard and quality, but there is no regulation or rule set by Sun Oil Company Limited in any shape or form, or in conjunction with any other person or corporation, that precludes a Sunoco dealer from purchasing whatever brands of T.B.A. he chooses.

Sunoco salesmen, when calling upon dealers for the purpose of servicing them with regard to their requirements of T.B.A. products, are instructed not to coerce, by threat or otherwise, these dealers into buying the T.B.A. products handled by Sun Oil Company Limited. Its dealers are free to stock whatever other brands they may select and in fact do so in many instances; service station dealers themselves realize that the motoring public patronizing Sunoco stations expect a uniform service and a high standard of petroleum products and T.B.A. in each station in the territories in which Sunoco brands are sold, and for this reason patronize the T.B.A. lines as supplied by the company.

The foregoing is a general outline of the manner and method of handling T.B.A., . . ."

(27) Supertest:

No views expressed.

(28) Texaco Canada:

"Our policy in this regard may be summarized as follows:-

The Company does not itself sell tires, batteries, accessories and related products, such products are sold by Texaco dealers by and through arrangements or agreements between them and the suppliers of such products and that apart from outlets which are mortgaged to the Company, the Company does not 'require' the purchase of such TBA products although it does recommend to the dealer the products of the suppliers referred to above.

The objective of the Company's tire, battery and accessory program is to encourage dealers to expand their business beyond the sale of petroleum products, to counsel with and continually assist Texaco dealers to establish and maintain superior service to their customers, maintain an adequate and balanced stock of fast moving TBA items and to improve their methods of merchandising so that they will be able to take full advantage of the profit potential available to them through good service station operations.

The dealer is thus enabled to purchase his entire requirements from sources conveniently located, thereby earning extra advantages through volume purchases; the suppliers in question having extensive sale promotion programs designed expressly to fit the needs of their dealers. Sales promotion material and co-operative advertising are available on low cost or no cost basis. Such suppliers also have large sales forces fully trained to assist the dealers to make the most of their TBA opportunities. All these factors tend to increase the saleability of the products in question, thereby increasing the profits of the dealers handling such lines.

Our Company's entry into the agreements with suppliers of tires, batteries and accessories results from natural economic developments.

Petroleum retail dealers began to handle such items because they found it necessary to diversify their operations much the same as merchants in other fields had done and were doing.

Under the agreements our Company was assured of the availability to its dealers of quality products having brand names of national acceptance, supported by national advertising - a matter of particular importance in the sale of tires and tubes.

Our Company had a particular interest in making such quality products available to its dealers to complement the high quality petroleum products we sell to the dealers. The sale of poor quality TBA would reflect upon our Company, since customers even though satisfied with Texaco petroleum products would associate with our Company dissatisfaction as to TBA brought from our dealers.

Dealers handling Texaco products must in the light of competitive conditions handle TBA both because of motorist demands and because the margin of profit in the sale of petroleum products as against the ever increasing expenses of operating a service station requires diversification into the TBA lines. The value of the sales commission contracts to our Company and to dealers handling Texaco products has continued to include:

(a) the nationally advertised, accepted and well developed brand of TBA readily available to dealers;

(b) the high quality merchandise included in the TBA lines in question;

(c) the advertising program available to dealers;

(d) the wide distribution through convenient supply points of such TBA products, and

(e) the need for our salesmen to have knowledge of TBA products and the difficulties they would encounter in knowing more than one line dictated the selection of suppliers with the most complete lines.

From the point of view of the supplying companies, the sales promotion activities of our Company under the contracts in question save the supplying companies substantial sums of money, for our Company, under the contracts, assumes many of the sales and service functions which the supplying companies would otherwise have to undertake, and in promoting such services consisting principally of the following:

(a) Texaco personnel, when interviewing prospective dealers for new or established service stations, advises them of the importance of TBA and recommends TBA products, and when dealers are selected would at times notify the suppliers of such selection and introduce the new dealer to sales representatives of suppliers and assist the new dealers in setting up an adequate TBA inventory.

(b) Texaco salesmen are encouraged by Management to assist dealers in selection of TBA stock in order that dealer, who is often new to the business, will not purchase unknown or slow moving brands on which he will lose money.

(c) Texaco conducts regular dealer meetings and provides training courses for dealers, both of which include suggestions for inventory control of merchandise, bookkeeping and accounting records, and the displaying and merchandising of TBA.

(d) Texaco gives suggestions on merchandising TBA in its dealer magazines and arranges for advertising and promotions, which include TBA products.

(e) Texaco makes TBA products available to credit card holders, including merchandise sold on deferred payments without carrying charge.

The computed direct cost to the Company in 1959 of performing its duties under the sales commission contracts runs to approximately 50% of the commission received. In addition to the direct expenses there are the other expenses of providing the facilities for retailing the products and the cost of depreciation, amortization and repairs relating to such facilities.

Approximately ½ of 1% of the Company's total gross revenue in 1959 was derived from commissions under the sales contracts in question, and practically no revenue if we consider net after expenses.

In its implementation of its sales commission contracts the Company is guided by the principle that its primary interest lies in the maintenance of its service station outlets for the sale of its petroleum products. No contract or lease

between the Company other than in the case of mortgaged outlets has, at any time, required a dealer to handle any particular TBA item, and the continuation of such contracts or leases has not been dependent upon purchases by such dealers of tires, batteries and accessories from designated suppliers. The facts are that a fair percentage of our dealers do not handle products recommended by the Company, and that a customer can obtain, on request at most if not all dealers, products of competitive suppliers.

The Company has issued written declarations of its policy with respect to its sales promotion efforts, and these declarations have uniformly advised the Company's entire personnel down to and including its salesmen that the independence of its dealers must be respected and that its sales promotion effort with respect to these items must be based solely on salesmanship.

The following quotations are taken from the Advanced Primary Training Manual of the Company dealing with dealer relations -at page 75.

> The Company's TBA policy states that: "It is clearly understood that the Company has neither the right nor the desire to dictate to the Dealer the brand or type of merchandise he should handle, or the source from which he should purchase such merchandise".
>
> The Policy further states that: "The success of the TBA program depends upon the kind of selling job that is done. The handling of the TBA program is an important part of the regularly assigned duties of the Company's selling personnel.
>
> Nevertheless, the importance of respecting the independence of the Texaco Dealer and his right to exercise his free and independent judgment on all matters and all phases of his business cannot be over-emphasized." '

and again at page 108 -

> ' The Company does not have the right to approve, or disapprove any merchandise the Dealer chooses to buy. The Company can only recommend the purchase or sale of products which in its opinion will bring the fastest turnover, and consequently the greatest profit to the Dealer. '

The sales commission contracts themselves are arrangements providing for the payment of commissions to the Company in exchange for the assistance and co-operation to be given to the supply companies in the promotion of their TBA sales. These contracts are not designed to restrict, to foreclose or to monopolize or in any way to impose restrictions or limitations upon the flow of commerce. They contain nothing restrictive, provide for no exclusivity of any kind, call for no unfair practices and provide only for assistance in promoting sales in exchange for the commissions to be paid, and the policy of the Company in regard to TBA is consistent with the principle that any type of dealer coercion would be poor salesmanship and would create dissatisfaction in the dealer which the Company could ill afford. Of its 4,533 dealers approximately 34% - 1527 have been with the Company more than 10 years, 17% - 739 have been with the Company more than 15 years, and 572 dealers more than 20 years.

It is suggested that the above figures would indicate that the sales commission contracts have been entered into by the Company on a basis least likely to induce high pressure salesmanship on the dealer.

To summarize -

1. Tires, batteries and accessories have become a necessary and integral part of the business operation of dealers; they cannot progress in their business unless they have the revenue from that portion of their business and also be in a position to serve their customers completely. It is to the interest of the Company to have its dealers engage in the sale of tires, batteries and accessories as this builds a stronger business organization and increases the sale of gasoline.

2. The Company's entry into agreements with suppliers of tires, batteries and accessories resulted from natural economic developments and was required in order to meet competitive situations brought about both by public demand and competing business.

3. These agreements are fair and reasonable and contain no provision requiring or looking towards restrictions on trade exclusivity or other unfair practices.

4. The operations of agreements between the Company and suppliers have been economically advantageous for both parties, as well as for the Texaco dealers who purchased from such suppliers.

5. The Company, apart from mortgaged outlets, has had no policy or practice of requiring either established or prospective dealers to agree not to deal in non-recommended items, and has no policy or practice of requiring established dealers to agree not to deal in non-recommended TBA, and has no policy or practice of threatening to terminate supply contracts or leases of dealers because they sold or stocked or displayed non-recommended TBA items.

6. The competitors of designated suppliers have access to our dealers and do sell in fairly good volume to service stations handling Texaco products.

7. The consuming public has not been deprived of access to TBA products of competitors of designated suppliers by reason of the sales commission contracts in question."

(29) United Farmers:

"I have at hand yours of the 25th February inviting us to comment on the economic effects of various captive business arrangements which you have outlined. I do not find such a task easy. U.F.A. Co-op. is a small company in this field. Almost all of our petroleum business is done through commission agents directly with our farm members. We are in the retail, or service station business, in only a very limited way. So I find it necessary to comment more from observation than experience.

It seems to me on the T.B.A. retail level there is very intense competition for the consumer dollar. In addition, department store competition in these lines makes it difficult, if not impossible, to maintain any sustained excessive price. The public would thus seem to be amply protected in this sector.

As far as the operator is concerned, while in most cases when occupying leased premises he is confined to one company's product, it does make possible a rounded service with a minimum of inventory investment. Here again, because there is a great deal of competition, in a general way the companies must charge this merchandise to their operator at a price which permits a sales incentive margin. In other words, if he can't get his margin because of competition off one end, he must be assured of it on the other, by reasonable pricing policies. In this light, while the tenant operator is confined or restricted as far as his purchasing policy is concerned, in a general way he is protected by the factors which I have mentioned.

In the field of effect on businesses such as the manufacturers of T.B.A., I hesitate to advance an opinion. One observation I would make is that because this type of outlet is required to confine merchandising to certain suppliers specified by his company, some saving is undoubtedly effected in sales' expense or volume acquisition costs. Once established, this volume flows to them with a minimum of solicitation, which undoubtedly has the effect of making their operation a profitable one.

In summing up I would hesitate to say these practices which you are studying have any substantial effect on either the position of the tenant operator or the general public. While there are certain aspects of these arrangements that are unattractive, I feel in the long run the public are not being imposed upon by their existence."

(30) Vigor:

This Company is now a subsidiary of Murphy-Canada Oil Company, El Dorado, Arkansas. Murphy-Canada, while not wishing to express any views at this time, stated that the operating policies and practices of Vigor prior to its acquisition were being continued under the new management.

(31) Wainwright:

No views expressed.

(32) Western:

"Our Company does not have this policy, and we have not, at any time, given it very much study.

We feel, however, that the Oil Companies, in the instances of their company owned and operated stations, leased stations, mortgaged outlets and independent outlets and [s quite justified in merchandising associated automotive lines, either through other suppliers or supplying the lines themselves The fact that they issue credit cards which authorizes the purchase of their first line products and also all lines of accessories and related products, makes us feel that if they accept these lines as credit articles, then they are justified in some manner to supplying them to the outlets. Although we understand the policy is not too popular with the operators, we must remember that in the majority of cases, the investment in the outlet is made by the Oil Company, and they therefor should have some say in what merchandise is passed over the counters."

(33) Planet:

Reported now to be a subsidiary of B.P.

B. Analysis of Replies to Questionnaires directed to Service Station Dealers in Ottawa District

The Ottawa District Survey conducted in 1954-1955 employed questionnaires which were answered by service station dealers of eleven of the principal distributors: B.A., Canadian Oil, Canadian Petrofina, Champlain, Cities Service, Imperial, Texaco Canada, Regent, Shell, Sunoco and Supertest; and by dealers of one distributor, Sunlight Oil Co. Ltd., which was an independent at that time but which has since been acquired by B.P.

For each of the following types of service station: lessee operated, financially assisted, and independent, brand; and for each major product: tires, batteries, accessories, oils, greases and anti-freezes; the survey was intended to determine the degree to which outlets were tied to the products of the principal distributors concerned or to products of other suppliers which the oil companies sponsored. The breakdown is recorded in the Tables, and the definitions are as follows:

(1) Exclusive - The retail dealer handled exclusively products produced and/or distributed by the oil company, or sponsored by it.

(2) Predominant - The retail dealer handled products on a similar basis to that in definition (1) above, except that in some instances, he carried other products at the request of customers or on a "bootleg" basis.

(3) All Brands - The retail dealer handled openly products produced and/or distributed by the oil company or sponsored by it and products of other companies not associated with the oil company concerned.

(4) Non-Distributor Brands - The retail dealer handled only products not produced and/or distributed by the oil company or sponsored by it.

(5) No information or sales - The retail dealer reported no information in reply to the questionnaire or no sales in the product classification designated.

Table 28

Ottawa District Survey - Number of Service Station Dealers Surveyed, by Type of Station, by Supplying Distributor, 1954 - 1955

Distributor	Type of Station							
	Independent, Brand		Financially Assisted		Lessee Operated		Total - All Types	
	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent
B.A.	35	64.8	2	3.7	17	31.5	54	100
Canadian Oil	25	64.1	4	10.3	10	25.6	39	100
Canadian Petrofina	1	6.3	-	-	15	93.7	16	100
Champlain	5	50.0	-	-	5	50.0	10	100
Cities Service	9	52.9	-	-	8	47.1	17	100
Imperial	40	64.5	1	1.6	21	33.9	62	100
Regent	1	100.0	-	-	-	-	1	100
Shell	31	63.3	5	10.2	13	26.5	49	100
Sunoco	11	52.4	-	-	10	47.6	21	100
Sunlight Oil Co.Ltd.(1)	2	100.0	-	-	-	-	2	100
Supertest	37	61.7	5	8.3	18	30.0	60	100
Texaco Canada	36	61.0	1	1.7	22	37.3	59	100
Totals	233	59.8	18	4.6	139	35.6	390	100

(1) An independent distributing company subsequently acquired by B.P.

Three hundred and ninety retail outlets were visited of which 233 operators considered themselves independent, 18 financially assisted and 139 as lessees (Table 28). In percentages, these would be 59.8 per cent, 4.6 per cent and 35.6 per cent respectively. With the exception of the then newly-formed Canadian Petrofina Ltd., each distributor had 50 per cent or more of its outlets on an independent basis. Of the major oil companies, the largest percentages were recorded for B.A. - 64.8 per cent of total B.A. stations, Imperial - 64.5 per cent of total Imperial stations, and Canadian Oil - 64.1 per cent of total Canadian Oil stations.

Six distributors had no financially assisted stations among those interviewed in the Ottawa District. Of the 18 financially assisted stations noted in the survey, Canadian Oil had 4 or 10.3 per cent of Canadian Oil stations polled, and Shell 5 or 10.2 per cent of Shell stations polled.

While Regent and Sunlight Oil Company Ltd. were credited with no lessee stations, both these companies had a very small number of stations in relation to total stations surveyed. With the exception of Canadian Petrofina (93.7 per cent) the percentage range of lessee station was between 25 per cent and 50 per cent for individual companies.

Although in classifying the service stations a distinction was made between those dealing exclusively in the products of their supplying oil company and those dealing predominantly in them, the difference turned out to be not very important in as much as the dealers in the latter group appeared only on occasion to trade in a manner counter to their distributors' policies, and then, not openly. For this reason it was decided to combine the two groups. Therefore, in the following discussion the exclusive class is considered as including the predominant class as well, unless specifically noted.

Table 29 indicates that the practice of trading exclusively in the products produced, distributed or sponsored by the supplying oil company was more pronounced in all of the six product classifications when there was a lessor-lessee relationship between the distributor and the dealer than where the dealer was an independent, brand outlet. Full exclusivity of products for independent, brand dealers ranged from 10.3 per cent for accessories to 71.7 per cent for lubricating oils while the range for lessee operators was from 56.1 per cent for accessories to 99.3 per cent for tires and tubes. For financially assisted dealers, the general trend was to more complete exclusivity than with independent, brand dealers but less complete than with lessee operators. As to exclusivity in oils and greases, the financially assisted and lessee dealers were very close to each other. In all three classes of dealers, accessories ranked lowest among the six commodities as to exclusive trading, and it is interesting to note the top place of tires and tubes among the lessee operators.

Table 29

Ottawa District Survey - Classification of Service Stations of all Companies, by Product, by Degree of Tie to Supplying Distributor and by Type of Station, 1954 - 1955

Degree of Tie to Distributor	Product	Independent, Brand Per Cent	Financially Assisted Per Cent	Lessee Operated Per Cent
Exclusive	Tires	32.6	38.9	83.5
	Batteries	24.9	55.6	84.4
	Accessories	4.3	-	22.3
	Oils	46.8	83.3	91.4
	Greases	54.1	94.4	93.5
	Anti-freezes	32.7	27.8	69.8
Predominant	Tires	14.2	38.9	15.8
	Batteries	9.9	22.2	9.4
	Accessories	6.0	16.7	33.8
	Oils	24.9	16.7	2.9
	Greases	2.6	-	-
	Anti-freezes	21.0	27.8	14.4
All Brands	Tires	7.3	5.6	0.7
	Batteries	9.0	11.1	0.7
	Accessories	22.8	61.1	23.7
	Oils	0.4	-	-
	Greases	-	-	-
	Anti-freezes	3.9	27.8	0.7
Non-distributor Brand	Tires	10.7	11.1	-
	Batteries	15.4	11.1	4.3
	Accessories	15.9	22.2	12.2
	Oils	0.9	-	1.4
	Greases	1.3	-	1.4
	Anti-freezes	2.9	11.1	2.9
No information or sales	Tires	35.2	5.6	-
	Batteries	40.8	-	1.4
	Accessories	51.1	-	7.9
	Oils	27.0	-	4.3
	Greases	42.1	5.6	5.0
	Anti-freezes	32.6	5.6	12.2
Total stations	All Products	100.0	100.0	100.0

Note: Percentages in each class for a particular product may not add to 100 per cent exactly, due to rounding of figures.

In connection with data for financially assisted dealers, the relatively small number comprising the sample suggests that these data may not depict the over-all situation with the same accuracy as the data for the other two station classes should do. Of importance with respect to the data for the independent, brand dealers is the proportion for which no sales or no information was recorded. The percentages in the other classes could be distorted by the fact that some sales were actually made by stations in the no information on sales class for which there are no records.

Despite the above limitations, the data in Table 29 indicate that independent, brand dealers as a group have the greatest discretion among Ottawa District operators in choosing product lines, particularly T.B.A. products. Lubricating oils, followed by greases, are the commodities where choice in source of supply seems to be least exercised and, therefore, where there is the greatest exclusivity. This suggests that for independent, brand dealers there is a direct relationship between the degree of exclusivity in the handling of a product by such dealers and the extent of the supplying oil company's interest in its production and distribution. As indicated, lubricating oils and greases rank respectively first and second in exclusivity. These products would most likely be subject to full-line forcing policies because the oil companies supply their dealers with their own branded products, largely from their own production. On the other hand, accessories, which rank lowest in exclusivity, are numerous in kind and source of supply, and supply to dealers is commonly provided for by market agreement. There appears to be little or no enforcement of such agreements among independent, brand dealers insofar as accessories are concerned. Somewhat similar direct relationships appear among the financially assisted dealers. Among the lessee operators there is not the same pattern. Table 30 shows the exclusivity ranking of the six product groups in the three classes of station for the stations classified above as Exclusive and Predominant.

Table 30

Ottawa District Survey - Exclusivity Ranking of Products among Dealers Selling Exclusively or Predominantly Products of their Supplier

Commodity	Rank Independent, Brand	Financially Assisted	Lessee Operated
Tires and Tubes	4	3)	1
		)	
Batteries	5	3)	3
Accessories	6	6	6
Oils	1	1	2
Greases	2	2	4
Anti-freeze	3	5	5

Table 31 where the data for the different company networks are presented, shows quite a uniform pattern for the various companies. When these data are examined the numbers of stations comprising the sample, as shown in Table 28, should of course be borne in mind. These indicate that the percentages in Table 31 are useful only to indicate the broad differences between products and classes of station rather than absolute values. The Tables suggest then that there is usually a higher degree of exclusivity for all products among lessee operators and financially assisted dealers than among independent, brand dealers in the networks samples. There is generally a higher degree of exclusivity in connection with oils and greases among independent, brand dealers than with accessories and other T.B.A. products. An explanation of the one independent Canadian Petrofina dealer's exclusivity in all products dealt in may lie in the fact that this Company was only organized in 1953 and new dealers may perhaps have been particularly interested in promoting the Company's products or those supplied under access agreements.

TABLE 31

Ottawa District Survey
Classification of Different Types of Service Station, By Supplying Distributor,
By Product, and By Degree of Tie to Supplying Distributor, 1954-1955

In Per Cent

Degree of Tie to Supplying Distributor	Product	B.A. Indep. Brand	B.A. Fin. Assisted	B.A. Lessee Operated	Canadian Oil Indep. Brand	Canadian Oil Fin. Assisted	Canadian Oil Lessee Operated	Canadian Petrofina Indep. Brand	Canadian Petrofina Fin. Assisted	Canadian Petrofina Lessee Operated	Champlain Indep. Brand	Champlain Fin. Assisted	Champlain Lessee Operated	Cities Service Indep. Brand	Cities Service Fin. Assisted	Cities Service Lessee Operated
Exclusive	Tires	20	50	76	48	75	100	-	-	87	60	-	80	22	-	75
	Batteries	11	-	94	20	75	90	-	-	87	-	-	80	11	-	88
	Accessories	-	-	6	-	-	20	100	-	40	20	-	60	-	-	50
	Oils	29	100	88	36	75	80	100	-	93	80	-	80	67	-	100
	Greases	37	100	94	44	75	80	100	-	93	60	-	100	56	-	100
	Anti-freeze	6	-	53	52	75	60	100	-	93	20	-	60	56	-	100
Predominant	Tires	8	50	24	12	-	-	100	-	13	-	-	20	-	-	25
	Batteries	3	50	-	16	-	-	100	-	13	-	-	20	11	-	12
	Accessories	3	-	41	4	-	50	-	-	47	-	-	-	11	-	25
	Oils	37	-	6	24	25	-	-	-	-	-	-	20	11	-	-
	Greases	6	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Anti-freeze	26	50	41	8	-	-	-	-	-	-	-	40	11	-	-
All Brands	Tires	9	-	-	-	-	-	-	-	-	-	-	-	11	-	-
	Batteries	12	50	-	20	25	-	-	-	-	40	-	-	11	-	-
	Accessories	23	100	35	36	50	20	-	-	7	20	-	20	11	-	-
	Oils	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Greases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Anti-freeze	3	50	-	-	25	-	-	-	-	20	-	-	-	-	-
Non-Distributor Brands	Tires	14	-	-	4	-	-	-	-	-	-	-	-	22	-	-
	Batteries	17	-	6	8	-	10	-	-	-	20	-	-	-	-	-
	Accessories	14	-	12	4	50	-	-	-	-	20	-	20	-	-	13
	Oils	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Greases	3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Anti-freeze	20	-	-	-	-	10	-	-	-	20	-	-	11	-	-
No Information or Sales	Tires	49	-	-	36	25	-	-	-	-	40	-	-	45	-	-
	Batteries	57	-	-	36	-	-	-	-	-	40	-	-	67	-	-
	Accessories	60	-	6	56	-	10	-	-	6	40	-	-	78	-	12
	Oils	34	-	6	40	-	20	-	-	7	20	-	-	22	-	-
	Greases	54	-	6	56	25	20	-	-	7	40	-	-	44	-	-
	Anti-freeze	45	-	6	40	-	30	-	-	7	40	-	-	22	-	-
All Stations	All Products	100	100	100	100	100	100	100	-	100	100	-	100	100	-	100

Degree of Tie to Supplying Distributor	Product	Imperial Indep. Brand	Imperial Fin. Assisted	Imperial Lessee Operated	Regent Indep. Brand	Regent Fin. Assisted	Regent Lessee Operated	Shell Indep. Brand	Shell Fin. Assisted	Shell Lessee Operated	Sunoco Indep. Brand	Sunoco Fin. Assisted	Sunoco Lessee Operated	Sunlight Oil Co. Ltd. Indep. Brand	Sunlight Oil Co. Ltd. Fin. Assisted	Sunlight Oil Co. Ltd. Lessee Operated	Supertest Indep. Brand	Supertest Fin. Assisted	Supertest Lessee Operated	Texaco Canada Indep. Brand	Texaco Canada Fin. Assisted	Texaco Canada Lessee Operated
Exclusive	Tires	25	-	81	-	-	-	42	40	85	9	-	80	-	-	-	46	20	78	31	-	91
	Batteries	35	-	90	-	-	-	16	60	69	9	-	90	-	-	-	43	60	78	33	100	77
	Accessories	12	-	48	-	-	-	-	-	8	9	-	20	-	-	-	-	-	6	6	-	4
	Oils	42	100	90	100	-	-	55	100	100	73	-	100	-	-	-	35	60	94	64	100	86
	Greases	60	100	90	-	-	-	71	100	92	55	-	100	-	-	-	46	100	94	67	100	95
	Anti-freeze	40	100	72	-	-	-	29	20	62	28	-	70	-	-	-	19	-	61	53	-	73
Predominant	Tires	20	100	14	-	-	-	10	20	15	9	-	20	-	-	-	5	60	22	33	100	9
	Batteries	17	100	5	-	-	-	7	-	16	9	-	-	-	-	-	-	40	22	17	-	9
	Accessories	5	-	38	-	-	-	-	20	31	9	-	20	-	-	-	-	20	-	22	100	55
	Oils	33	-	-	-	-	-	23	-	-	9	-	-	-	-	-	30	40	-	16	-	9
	Greases	3	-	-	-	-	-	-	-	-	9	-	-	-	-	-	3	-	-	3	-	-
	Anti-freeze	20	-	14	100	-	-	42	20	15	18	-	20	-	-	-	24	60	17	11	-	4
All Brands	Tires	17	-	5	-	-	-	6	-	-	-	-	-	-	-	-	11	20	-	-	-	-
	Batteries	13	-	5	-	-	-	3	-	-	-	-	-	-	-	-	5	-	-	3	-	-
	Accessories	23	-	4	-	-	-	19	60	31	9	-	-	-	-	-	30	80	67	19	-	27
	Oils	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	-	-	-
	Greases	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Anti-freeze	3	-	-	-	-	-	3	20	-	9	-	-	-	-	-	3	20	5	8	100	-
Non-Distributor Brands	Tires	5	-	-	-	-	-	10	40	-	36	-	-	50	-	-	5	-	-	14	-	-
	Batteries	2	-	-	-	-	-	32	40	-	26	-	10	50	-	-	11	-	-	19	-	14
	Accessories	15	100	10	-	-	-	29	20	15	27	-	50	50	-	-	13	-	5	17	-	14
	Oils	-	-	10	-	-	-	-	-	-	-	-	-	50	-	-	-	-	-	3	-	-
	Greases	-	-	10	100	-	-	-	-	-	-	-	-	50	-	-	-	-	-	-	-	-
	Anti-freeze	7	-	14	-	-	-	-	20	-	27	-	-	50	-	-	5	20	-	14	-	-
No Information or Sales	Tires	33	-	-	100	-	-	32	-	-	46	-	-	50	-	-	33	-	-	22	-	-
	Batteries	33	-	-	100	-	-	42	-	15	46	-	-	50	-	-	41	-	-	28	-	-
	Accessories	45	-	-	100	-	-	52	-	15	46	-	10	50	-	-	57	-	22	36	-	-
	Oils	25	-	-	-	-	-	22	-	-	18	-	-	-	-	-	35	-	6	17	-	5
	Greases	37	-	-	-	-	-	29	-	8	36	-	-	50	-	-	51	-	6	30	-	5
	Anti-freeze	30	-	-	-	-	-	26	20	23	18	-	10	50	-	-	49	-	17	14	-	23
All Stations	All Products	100	100	100	100	-	-	100	100	100	100	-	100	100	-	-	100	100	100	100	100	100

As between networks, there is some indication that there is a lower degree of exclusivity with tires and tubes among independen brand dealers of B.A., Cities Service, Sunoco and Imperial than among the same dealers of Canadian Oil, Texaco Canada, Shell, Supertest and Champlain. Accessories rank low in exclusivity among all network dealers.

Among the independent, brand dealers not falling in the exclusive and predominant classes and for whom there are data on sales, there does not seem to be any particular bias against handling products supplied by the principal distributor or its designated wholesaler. Dealers buying from different sources have indicated that not only do they try to accommodate particular customer demands, but they regard frequency and rapidity of supply, completeness of lines, supply on consignment, as well as price as important factors to be considered. Moreover, the extensive use of credit cards and the confinement of these to specific lines of goods are further important considerations. It is evident that some of the principal distributors have been able to satisfy many of their dealers on these points because expressions of satisfaction with existing arrangements were frequently met with in the survey. Naturally, in this area of supplier-dealer relationships much depends on the subjective appraisal given to a particular situation, some dealers being more easily satisfied than others or feeling that they are able to get better service. Thus a high degree of exclusivity is obviously a matter of choice among some independent, brand dealers as well as a matter of acceptance of the premise that a dealer is "expected" to carry the products of his principal distributor. There was no evidence among the independent, brand dealers of insistence by any distributors on exclusive full-line forcing or directed buying. These dealers appeared to be satisfied with their relationships with their suppliers at that time. Some dealers did, however, report criticism by supervisors of shelf space being used for other branded goods and there was some evidence that exclusive full-line forcing by one oil company had been a factor in the past.

Analysis of the replies of lessee operators indicates that the majority were satisfied at that time with their relationships with their lessor suppliers. There was, however, some evidence of dissatisfaction, most frequently among the lessees of two particular distributors. Complaints by some lessees concerned their distributors' requirements to maintain minimum stocks of goods obtained from oil company specified sources and to cease dealing in competing lines. In the circumstances it was difficult to determine exactly whether or not there was direct insistence on exclusive full-line forcing and directed buying. There were only a few complaints of overt insistence by the sales staffs of the distributors. On the other hand, the strong position of the lessors appears to have been evident to the lessees. There were a number of references to the

importance of the short notice cancellation provisions in the lease as influencing lessees' attitudes and relations, particularly when they were allegedly informed that such provisions would be enforced. Fear about the possibility of higher rents for non-compliance with the lessors' "suggestions", or of inspection of sales records, or of loss of investment, appeared in some lessees' complaints and in the reluctance of others to discuss the matter with the Director's staff. There was evidence that some of the dissatisfaction of the lessees could be attributed to particular supervisors because more satisfactory relations developed when supervisory personnel changed. This circumstance may partly explain why one lessee would complain about "demands" by a supervisor to "get rid" of products not supplied or specified by the oil company while another regarded himself as free to deal in such products as long as he also handled the oil company lines. The latter view was at times qualified by the belief that the product not distributed or specified by the oil company should be kept out of sight and sold only on specific demand. It appears possible that some lessees are not sure of their legal position under their leases and may believe their lessors have extensive rights to require compliance with full-line forcing and directed buying policies even though these may not be specifically included in the lease. Some lessees indicated they had never studied their leases.

C. Information from Ontario Retail Gasoline and Automotive Service Association

The Ontario Retail Gasoline and Automotive Association in 1958 provided the Director with certain completed forms received by the Association from its service station dealer members. These forms had been sent out in connection with the Association's study of certain problems which had arisen between its members and some of the principal distributors. One portion of the Association's form (See Appendix VIII for a copy) dealt with action taken by a supplying oil company against a dealer to ensure compliance with the company's exclusive full-line forcing or directed buying policies on T.B.A. and other service station products. It is not known to what proportion of the almost 12,400 dealers in Ontario the questionnaire forms were sent. However, the number of forms received by the Director which dealt with service station products represented a very small percentage.

A number of these returns drawn from dealers for four of the principal distributors in Kitchener, Toronto, Galt and London, represent that these dealers had received no instructions from their supplying oil company to remove or not to handle specific products of other manufacturers or suppliers although the distributor had sometimes asked or suggested that the dealers not handle such products. Some of these dealers were requested to buy more of

the approved lines (Returns SS 1 to SS 6 inclusive). The fact that dealers have ignored these requests may be due, in part, to the fact that some of them are independent, brand dealers.

Other returns represented different circumstances (SS 7 to SS 25 inclusive). These returns - nineteen in all - were from dealers of eight of the principal distributors, including three of the four referred to above. Areas from which complaints were received included Toronto and nearby centres, Guelph and Kitchener, Hamilton, St. Catharines and Windsor. The type of station operated by seventeen of these dealers is not known from the returns made but two apparently were lessee operated.

The complaints varied and concerned accessories most frequently but also related to oils, anti-freeze and tires and batteries. One complaint alleged that additional rental had been acquired because the dealer was an agent for parts for a line of English cars. Frequently a dealer was asked to remove the offending products from his shelves and to display only the supplying oil company's products or those of a sponsored supplier. Competing brands of specialty petroleum products, tires, batteries and accessories commonly provoked requests or instructions for their removal by the supplying oil company's supervisory staff. Among such products were Bardahl products, Kendall oils, Quaker State oils, Castrol oils, Prestone anti-freeze, Rislone Shaler products, Gates radiator hoses and Hollingshead products. Advertising associated with such products was also banned from the stations. One dealer stated that he was told by his distributor that his rent would be increased if he did not handle the products of his distributor or the recommended supplier (SS 24). This dealer also remarked that he had to pay a monthly service charge for doing credit card business which he claimed was the distributor's responsibility.

D. Analysis of Replies to Questionnaire from Service Station Dealers in Greater Winnipeg

The Greater Winnipeg service station survey was conducted in December 1957 and consisted of questionnaires answered by the service station dealers of nine of the principal distributors: Anglo American, Anglo-Canadian, B.A., Canadian Oil, Imperial, Texaco Canada, North Star, Radio and General Oil.

The purpose of the survey was similar to that of the Ottawa District Survey and the definitions followed were also similar. In addition to the three classes of station-lessee operated, financially assisted and independent, brand - met with in the Ottawa area, a fourth - distributor owned and operated - was encountered at Winnipeg. The lessee and independent, brand dealer classifications

in the Greater Winnipeg survey were each broken down, where possible, into large and medium sized stations. This was on the following basis:

(1) Medium Stations: those with annual gasoline sales between 50,000 and 99,999 gallons.

(2) Large Stations: those with annual gasoline sales of 100,000 gallons or more.

In Table 32, where the total of the large and medium stations does not equal the appropriate figure for independent, brand and lessee stations, the difference is accounted for by small stations below 50,000 gallons annually or by stations for which no gallonage figures could be obtained. These stations were not given separate analysis. The financially assisted stations were not broken down into size classes as such data were not available.

Replies received from 309 dealers were analysed (Table 32). Of these, seven were from operators of stations owned and operated by the supplying gasoline companies: three B.A. dealers, two Radio dealers, and one each for Canadian Oil and General Oil. There were 80 independent, brand operators, 13 financially assisted dealers and 209 lessee operators. The four classes of stations account for the following percentages of dealers: 2.3 per cent company operated; 25.9 per cent independent, brand; 4.2 per cent financially assisted; and 67.6 per cent lessee operated. It was intended that the survey should reach all service stations in the area. However, there were a small number for which no information whatever could be obtained except the brand symbol and a few which were listed as service stations but which only served gasoline to the public occasionally and did not deal in other service station products. It may be noted that there were at least three dealers of very large size, selling unbranded gasoline and other service station products. These were not included in this study.

Table 32 indicates that, with the exception of Anglo-Canadian, less than 50 per cent of the stations in each distributor's network in Greater Winnipeg fell within the independent, brand class. It indicates also that 40 per cent or more of the stations were operated on a lessee dealer basis. Table 33 provides a comparison of this situation with the Ottawa District Survey and the all-Canada figures from Table 8.

Table 32

Greater Winnipeg Survey - Number of Service Station Dealers Surveyed, by Type and Size of Station and by Supplying Distributor, 1957

	Type of Station										Size of Station								Total Large and Medium Stations	
	Independent Brand		Financially Assisted		Lessee Operated		Company Operated		Total All Types		Independent, Brand				Lessee Operated					
											Large		Medium		Large		Medium			
Distributor	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent	No.	Per Cent
Anglo American	1	33.3	-	-	2	66.7	-	-	3	100	1	33.3	-	-	2	66.7	-	-	3	100
Anglo-Canadian	3	60.0	-	-	2	40.0	-	-	5	100	2	50.0	-	-	-	-	2	50.0	4	100
B.A.	20	29.8	4	6.0	40	59.7	3	4.5	67	100	3	9.7	2	6.5	14	45.1	12	38.7	31	100
Canadian Oil	18	43.9	3	7.3	19	46.4	1	2.4	41	100	2	16.7	2	16.7	5	41.6	3	25.0	12	100
General Oil	1	25.0	-	-	2	50.0	1	25.0	4	100	-	-	1	100.0	-	-	-	-	1	100
Imperial	18	24.3	5	6.8	51	68.9	-	-	74	100	5	14.3	5	14.3	18	51.4	7	20.0	35	100
North Star	8	14.8	1	1.9	45	83.3	-	-	54	100	-	-	1	4.0	8	32.0	16	64.0	25	100
Radio	1	5.0	-	-	17	85.0	2	10.0	20	100	-	-	1	12.5	3	37.5	4	50.0	8	100
Texaco Canada	10	24.4	-	-	31	75.6	-	-	41	100	4	14.3	3	10.7	7	25.0	14	50.0	28	100
Totals	80	25.9	13	4.2	209	67.6	7	2.3	309	100	17	11.6	15	10.2	57	38.8	58	39.4	147	100

Table 33

Comparison of Distribution of Service Stations by Type of Station

	Independent, Brand Per Cent	Financially Assisted Per Cent	Lessee Operated Per Cent	Company Operated Per Cent
Ottawa District Survey	59.8	4.6	35.6	Nil
Greater Winnipeg Survey	25.9	4.2	67.6	2.3
All Canada	58.1	15.4	25.6	0.9

This Table indicates that a far greater percentage of stations in Greater Winnipeg were on a lessor-lessee basis than in the Ottawa District. The reverse is the situation for independent, brand stations. This may be due largely to the inclusion of rural areas and small communities in the Ottawa District survey, areas and localities where lessee dealers are not common. One interesting feature of Table 33 is the higher proportion of financially assisted dealers in the all-Canada figures. This suggests that some dealers surveyed may have been reluctant to reveal that they were receiving financial assistance. The all-Canada figures may be affected moreover by extensive reliance on financial assistance by dealers in particular areas, possibly areas where there has been an expansion in stations or need of capital for improvements.

Table 32 indicates that, of the 147 service stations in the medium and large size classes, 11.6 per cent were large and 10.2 per cent medium size independent, brand stations, and 38.8 per cent were large and 39.4 per cent medium size lessee operated stations.

As in the analysis of the Ottawa District survey, the exclusive class is considered in this Greater Winnipeg analysis as including the predominant class unless specifically noted.

Where the company owned and operated stations dealt in service station products, such products were those supplied by the oil company, that is there was complete exclusivity. These stations are not included in Tables 34, 36 and 37. They are generally used for training purposes by the major oil companies and it is possible that the smaller oil companies operate such stations in part for prestige purposes.

TABLE 34

Greater Winnipeg Survey
Classification of Service Stations of All Companies, by Product, by Degree of Tie To Supplying Distributor, and by Type and Size of Station, 1957

In Per Cent

Degree of Tie to Oil Company	Product	Independent, Brand	Financially Assisted	Lessee Operated	Independent, Brand		Lessee Operated	
					Large	Medium	Large	Medi
Exclusive	Tires	27.5	46.1	73.7	5.9	20.0	77.2	65.
	Batteries	20.0	46.1	77.5	11.8	13.3	84.2	72.
	Accessories	2.5	30.8	32.6	5.9	6.7	40.4	24.
	Oils	63.8	92.3	96.7	47.1	80.0	96.5	93.
	Greases	62.5	92.3	95.7	41.2	86.7	94.7	93.
	Anti-freezes	46.3	84.6	91.4	23.5	66.7	91.2	87.
Predominant	Tires	8.8	23.1	13.4	11.8	13.3	12.3	17.
	Batteries	11.2	23.1	10.0	11.8	33.3	7.0	10.
	Accessories	2.5	23.1	24.9	-	13.3	15.8	31.
	Oils	10.0	7.7	-	23.5	6.8	-	-
	Greases	10.0	-	-	29.4	6.8	-	-
	Anti-freezes	10.0	7.7	4.3	17.6	13.3	5.3	5.
All Brands	Tires	33.8	15.4	7.2	29.4	33.3	5.3	8.
	Batteries	33.8	15.4	5.3	23.5	20.0	3.5	6.
	Accessories	72.5	23.1	28.2	64.7	53.3	33.3	20.
	Oils	11.2	-	1.9	23.5	13.3	3.5	3.
	Greases	6.2	7.7	1.4	17.6	6.7	1.8	3.
	Anti-freezes	8.8	7.7	1.9	17.6	13.3	1.8	3.
Non-Distributor Brands	Tires	13.8	7.7	2.9	41.2	26.7	3.5	1.
	Batteries	21.2	7.7	3.8	47.1	26.7	3.5	3.
	Accessories	8.7	2.5	10.5	23.5	20.0	8.8	8.
	Oils	1.2	-	-	-	-	-	-
	Greases	1.2	-	.5	-	-	-	-
	Anti-freezes	17.5	-	.5	29.4	6.7	-	-
No Information or Sales	Tires	16.2	7.7	2.9	11.8	6.7	1.8	6.
	Batteries	13.8	7.7	3.4	5.9	6.7	1.8	6.
	Accessories	13.8	7.7	3.8	5.9	6.7	1.8	6.
	Oils	13.8	-	1.4	5.9	-	-	3.
	Greases	20.0	-	2.4	11.8	-	3.5	3.
	Anti-freezes	17.5	-	1.9	11.8	-	1.8	3.
Total Stations	All Products	100.0	100.0	100.0	100.0	100.0	100.0	100.

Table 34 indicates, as in the Ottawa District survey, that exclusive trading was more evident in all six product classes for lessee dealers than for independent, brand dealers. Full exclusivity of products for independent, brand dealers ranged from 5.0 per cent for accessories to 73.8 per cent for lubricating oils, while the range for lessees was from 57.4 per cent for accessories to 96.6 per cent for oils. The results for the small number of financially assisted dealers showed a range of 53.9 per cent for accessories to 100 per cent for oils. Only in tires and batteries did exclusivity in trading by financially assisted dealers appear much lower than for lessee dealers. However the small number of stations sampled in the financially assisted dealer class indicates that the conclusions drawn should be regarded with considerable caution.

In all station types the percentages in the no information or sales classes were generally much lower than in the Ottawa District survey. This suggests that the data should be fairly free of the distortion which could arise from this source.

It seems safe to conclude that among the service station dealers in Greater Winnipeg, the independent, brand dealers have the greatest independence as a group, in choosing product lines, particularly in T.B.A. products. As in the Ottawa District, lubricating oils and greases are the commodities where choice in source of supply is exercised least and where there is the greatest exclusivity.

The data in Table 34 support the conclusion drawn in the Ottawa District survey, that for the independent, brand dealers (and also financially assisted and lessee dealers in Winnipeg) there is a direct relationship between the degree of exclusivity for a type of product and the extent of the supplying oil company's interest in its production and distribution. This is particularly evident in lubricating oils and greases. Over 82 per cent of the independent, brand dealers are associated with B.A., Canadian Oil, Imperial and Texaco Canada, major oil companies distributing oils and greases of their own manufacture. When the stations of North Star, a producer of greases, are added the percentage is over 92 per cent. These products are the most likely to be subject to full-line forcing policies. The weakest enforcement of directed buying would be for accessories which as a group includes many products and here exclusivity is lowest. The following Table 35 shows the exclusivity ranking of the six product groups in the three classes of stations for the stations classed as Exclusive and Predominant.

Table 35

Greater Winnipeg Survey - Exclusivity Ranking of Products Among Dealers Selling Exclusively or Predominantly Products of their Supplier

Commodity	Independent, Brand	Financially Assisted	Lessee Operated
Tires and Tubes	4	4)	5
Batteries	5	4)	4
Accessories	6	6	6
Oils	1	1	1
Greases	2	2)	2)
Anti-freeze	3	2)	2)

An examination of Table 34 indicates that only among th independent, brand dealers did the size of station appear to affect the dealer's exclusivity of trading. Here the large size stations appeared less frequently to handle the products supplied or sponsored by their principal distributors than the medium size stations. This suggests somewhat greater bargaining power or power to exercise independence in source of supply, resides with these large size stations than with the medium sized.

In Table 36 the data for the different company stations are presented. These indicate that among the companies and among the types of station there are some departures from the general pattern described above and appearing in Table 34. Although the samples were small, the lessee and independent, bran dealers of Anglo American and Anglo-Canadian appear to exercise considerable freedom of choice in their suppliers of service station products. With B.A. the independent, brand dealers seem to have a lower average of exclusivity than the all-company average. On th other hand this Company's lessee dealers appear to deal more exclusively with B.A.'s produced or sponsored products than the average, except in accessories where exclusivity is lower than average. For Canadian Oil, the data for independent, brand dealer indicate the greatest departure from average in tires and tubes and anti-freeze where the Canadian Oil figures show higher exclusivity in these products. Among this Company's lessees there is a lower degree of exclusivity in accessories than the average for all companies but in oils, greases and anti-freeze the data run higher than average. With Imperial Oil independent, brand dealers, above average levels of exclusivity appear in accessories, greases and

anti-freeze. With this Company's lessees, there appears to be an above-average level of exclusivity which is particularly marked in accessories. With Texaco Canada's independent, brand dealers an above-average level of exclusivity appears most clearly in oils and greases. However, these dealers appear to exercise considerable freedom of choice in suppliers of accessories. The sample data indicate that this Company's lessees also have an above-average degree of exclusivity in all product groups, but particularly in tires and tubes and batteries. North Star independent, brand dealers appear above average in exclusivity in handling their supplier's oils and recommended tires and tubes, particularly in the latter. However, they appear to have chosen freely among suppliers of accessories. The lessees of this Company are close to average in their high level of exclusivity in all products, except that in accessories the Company figure is considerably higher than the all-company average. Comparisons for Radio Oil, and General Oil, both small companies, can be made from the Tables.

Table 36

Greater Winnipeg Survey
Classification of Different Types of Service Station, By Supplying Distributor,
By Product, and By Degree of the Tie to Supplying Distributor: 1957

In Per Cent

Degree of Tie to Supplying Distributor	Product	Anglo American			Anglo-Canadian			B.A.			Canadian Oil			General Oil			Imperial			North Star			Radio			Texaco Canada		
		Indep. Brand	Fin. Assisted	Lessee Operated	Indep. Brand	Fin. Assisted	Lessee Operated	Indep. Brand	Fin. Assisted	Lessee Operated	Indep. Brand	Fin. Assisted	Lessee Operated	Indep. Brand	Fin. Assisted	Lessee Operated	Indep. Brand	Fin. Assisted	Lessee Operated	Indep. Brand	Fin. Assisted	Lessee Operated	Indep. Brand	Fin. Assisted	Lessee Operated	Indep. Brand	Fin. Assisted	Lessee Operated
Exclusive	Tires	-	-	-	-	-	-	10	50	82	50	-	79	-	-	-	17	80	80	75	-	84	-	-	29	20	-	71
	Batteries	-	-	-	-	-	-	10	50	85	28	-	90	-	-	-	17	80	82	37	-	89	-	-	24	30	-	81
	Accessories	-	-	-	-	-	-	-	25	15	-	-	16	-	-	-	11	60	55	-	-	44	-	-	-	-	-	35
	Oil	-	-	-	-	-	-	50	100	98	72	67	100	-	-	100	67	100	98	75	100	98	100	-	100	90	-	100
	Grease	-	-	-	-	-	-	45	75	98	72	100	100	-	-	50	78	100	98	63	100	98	100	-	100	80	-	97
	Anti-freeze	-	-	50	-	-	-	35	75	90	61	100	84	-	-	50	56	80	96	37	100	98	100	-	94	50	-	91
Predominant	Tires	-	-	-	-	-	-	5	25	15	11	33	-	-	-	-	17	20	16	-	-	7	-	-	18	10	-	26
	Batteries	-	-	-	-	-	-	10	25	10	11	33	5	-	-	-	22	20	14	-	-	4	-	-	12	10	-	16
	Accessories	-	-	-	-	-	-	-	25	17	6	-	16	-	-	-	5	40	35	-	-	36	-	-	-	-	-	26
	Oil	-	-	-	-	-	-	10	-	-	11	33	-	-	-	-	11	-	-	13	-	-	-	-	-	10	-	-
	Grease	-	-	-	-	-	-	15	-	-	6	-	-	-	-	-	11	-	-	13	-	-	-	-	-	10	-	-
	Anti-freeze	-	-	-	-	-	-	10	-	8	11	-	16	-	-	-	11	20	2	13	-	-	-	-	-	10	-	6
All Brand	Tires	-	-	100	33	-	100	45	25	-	17	33	21	100	-	-	50	-	-	25	-	2	-	-	29	20	-	3
	Batteries	-	-	100	33	-	100	45	25	-	17	34	5	100	-	-	44	-	-	38	-	-	-	-	29	20	-	3
	Accessories	-	-	100	33	-	100	75	25	57	72	67	63	100	-	-	72	-	8	100	-	11	-	-	-	70	-	36
	Oil	100	-	100	100	-	100	5	-	-	-	-	-	100	-	-	17	-	-	-	-	-	-	-	-	-	-	-
	Grease	-	-	50	100	-	100	-	25	-	-	-	-	100	-	-	5	-	-	-	-	-	-	-	-	-	-	-
	Anti-freeze	-	-	50	67	-	100	-	25	-	6	-	-	100	-	-	5	-	-	-	-	-	-	-	6	20	-	-
Non-Distributor Brands	Tires	-	-	-	34	-	-	15	-	-	-	34	-	-	-	-	11	-	-	-	-	-	100	-	24	40	-	-
	Batteries	-	-	-	67	-	-	15	-	-	22	33	-	-	-	-	11	-	-	25	-	-	100	-	35	30	-	-
	Accessories	-	-	-	67	-	-	5	25	3	-	33	5	-	-	-	5	-	-	-	-	2	100	-	94	20	-	3
	Oil	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-	-	-	-	-	-	-	-
	Grease	-	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12	-	-	-	-	-	-	-	-
	Anti-freeze	-	-	-	33	-	-	20	-	-	-	-	-	-	-	-	22	-	-	38	-	-	-	-	-	20	-	-
No Information or Sales	Tires	100	-	-	33	-	-	25	-	3	22	-	-	-	-	100	5	-	4	-	100	7	-	-	-	10	-	-
	Batteries	100	-	-	-	-	-	20	-	5	22	-	-	-	-	100	6	-	4	-	100	7	-	-	-	10	-	-
	Accessories	100	-	-	-	-	-	20	-	8	22	-	-	-	-	100	6	-	2	-	100	7	-	-	6	10	-	-
	Oil	-	-	-	-	-	-	35	-	2	17	-	-	-	-	-	6	-	2	-	-	2	-	-	-	-	-	-
	Grease	100	-	-	-	-	-	40	-	2	22	-	-	-	-	50	6	-	2	12	-	2	-	-	-	10	-	3
	Anti-freeze	100	-	-	-	-	-	35	-	2	22	-	-	-	-	50	6	-	2	12	-	2	-	-	-	-	-	3
Total Stations	All Products	100	-	100	100	-	100	100	100	100	100	100	100	100	-	100	100	100	100	100	100	100	100	-	100	100	-	100

There are no extensive data on the influence of the size of tation on exclusivity among independent, brand stations and what are vailable and shown in Table 37 should be used with caution. Reference here is confined to Imperial and Texaco Canada where the umbers of stations sampled were somewhat larger than for the other ompanies. With Imperial Oil the medium size independent, brand stations show a higher level of exclusivity than the large size stations n tires and tubes, accessories, greases and anti-freeze. Similarly hese stations are above the average indicated for this Company's ndependent, brand stations as a whole. With Texaco Canada there loes not seem to be any significant difference in degree of exclusivity between large and medium size stations. In comparing the large size stations of Imperial and Texaco Canada with the all-company averages for the same size independent, brand stations, it seems that Imperial dealers tend to be above average in exclusivity. With Texaco Canada the pattern varies, exclusivity is below average in tires and tubes and accessories but above average in oils, greases and anti-freeze, particularly in oils and greases. In a similar comparison of medium sized stations, Imperial dealers are generally quite close to the average except for accessories where the company's dealers are above average in exclusivity. Texaco Canada's medium size independent, brand dealers appear to be significantly below average in exclusivity in accessories.

Larger samples were possible among the large and medium size lessee dealers. Nevertheless, the data in Table 37 should be regarded with caution. Examination of these data suggests that there is little significant degree of difference in exclusivity in any products between the large and medium size lessee stations of any company except possibly in accessories for Canadian Oil lessees. Here the level of exclusivity is considerably higher for medium size dealers. When comparing the large and medium size station data for each company with the all-company averages for lessees in these size classes, it appears that the principal departures from all-company averages appear in accessories. Among large size lessee stations, B.A., Radio and Canadian Oil dealers appear to be below average in exclusivity for this commodity while Imperial and North Star are above average. Among medium size lessee stations, Radio dealers appear to be below average in exclusivity for accessories, while Imperial and North Star are above average.

Table 37

Greater Winnipeg Survey
Classification of Large and Medium Size Independent, Brand and Lessee Operated Service Stations,
By Supplying Distributor, By Product, and By Degree of Tie to Supplying Distributor, 1957

In Per Cent

Degree of Tie to Supplying Distributor	Product	Anglo American Independent, Brand Large	Anglo American Independent, Brand Medium	Anglo American Lessee Operated Large	Anglo American Lessee Operated Medium	Anglo-Canadian Independent, Brand Large	Anglo-Canadian Independent, Brand Medium	Anglo-Canadian Lessee Operated Large	Anglo-Canadian Lessee Operated Medium	B. A. Independent, Brand Large	B. A. Independent, Brand Medium	B. A. Lessee Operated Large	B. A. Lessee Operated Medium	Canadian Oil Independent, Brand Large	Canadian Oil Independent, Brand Medium	Canadian Oil Lessee Operated Large	Canadian Oil Lessee Operated Medium	General Oil Independent, Brand Large	General Oil Independent, Brand Medium
Exclusive	Tires	-	-	-	-	-	-	-	-	-	-	86	75	-	100	80	100	-	-
	Batteries	-	-	-	-	-	-	-	-	-	-	93	92	-	50	80	100	-	-
	Accessories	-	-	-	-	-	-	-	-	-	-	8	17	-	-	20	-	-	-
	Oil	-	-	-	-	-	-	-	-	67	100	100	92	-	100	100	100	-	-
	Grease	-	-	-	-	-	-	-	-	33	100	100	92	-	100	100	100	-	-
	Anti-freeze	-	-	50	-	-	-	-	-	-	100	86	84	-	100	100	100	-	-
Predominant	Tires	-	-	-	-	-	-	-	-	33	-	14	17	50	-	-	-	-	-
	Batteries	-	-	-	-	-	-	-	-	33	50	7	-	-	50	20	-	-	-
	Accessories	-	-	-	-	-	-	-	-	-	-	21	25	-	50	-	67	-	-
	Oil	-	-	-	-	-	-	-	-	33	-	-	-	50	-	-	-	-	-
	Grease	-	-	-	-	-	-	-	-	67	-	-	-	50	-	-	-	-	-
	Anti-freeze	-	-	-	-	-	-	-	-	33	-	14	8	50	-	-	-	-	-
All Brands	Tires	-	-	100	-	-	-	-	100	-	50	-	-	50	-	20	-	-	100
	Batteries	-	-	100	-	-	-	-	100	-	-	-	-	50	-	-	-	-	100
	Accessories	-	-	100	-	-	-	-	100	100	50	57	50	100	50	60	33	-	100
	Oil	100	-	100	-	100	-	-	100	-	-	-	-	-	-	-	-	-	100
	Grease	-	-	50	-	100	-	-	100	-	-	-	-	-	-	-	-	-	100
	Anti-freeze	-	-	50	-	50	-	-	100	-	-	-	-	-	-	-	-	-	100
Non-Distributor Brands	Tires	-	-	-	-	50	-	-	-	67	50	-	-	-	-	-	-	-	-
	Batteries	-	-	-	-	100	-	-	-	67	50	-	-	50	-	-	-	-	-
	Accessories	-	-	-	-	100	-	-	-	-	50	7	-	-	-	20	-	-	-
	Oil	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Grease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Anti-freeze	-	-	-	-	50	-	-	-	67	-	-	-	-	-	-	-	-	-
No Information or Sales	Tires	100	-	-	-	50	-	-	-	-	-	-	8	-	-	-	-	-	-
	Batteries	100	-	-	-	-	-	-	-	-	-	-	8	-	-	-	-	-	-
	Accessories	100	-	-	-	-	-	-	-	-	-	7	8	-	-	-	-	-	-
	Oil	-	-	-	-	-	-	-	-	-	-	-	8	50	-	-	-	-	-
	Grease	100	-	50	-	-	-	-	-	-	-	-	8	50	-	-	-	-	-
	Anti-freeze	100	-	-	-	-	-	-	-	-	-	-	8	50	-	-	-	-	-
Total Stations	All Products	100	-	100	-	100	-	-	100	100	100	100	100	100	100	100	100	-	100

Degree of Tie to Supplying Distributor	Product	Imperial Independent, Brand Large	Imperial Independent, Brand Medium	Imperial Lessee Operated Large	Imperial Lessee Operated Medium	North Star Independent, Brand Large	North Star Independent, Brand Medium	North Star Lessee Operated Large	North Star Lessee Operated Medium	Radio Independent, Brand Large	Radio Independent, Brand Medium	Radio Lessee Operated Large	Radio Lessee Operated Medium	Texaco Canada Independent, Brand Large	Texaco Canada Independent, Brand Medium	Texaco Canada Lessee Operated Large	Texaco Canada Lessee Operated Medium
Exclusive	Tires	20	-	78	72	-	100	100	75	-	-	33	-	-	33	71	64
	Batteries	20	-	83	72	-	100	100	75	-	-	33	-	25	-	100	79
	Accessories	20	20	61	29	-	-	88	50	-	-	-	-	-	-	43	14
	Oil	60	60	100	100	-	100	100	94	-	100	100	100	75	100	100	100
	Grease	60	80	100	100	-	100	100	94	-	100	100	100	75	100	86	100
	Anti-freeze	40	80	100	86	-	-	100	94	-	100	100	100	50	34	72	93
Predominant	Tires	-	40	17	14	-	-	-	13	-	-	-	25	-	-	29	29
	Batteries	20	40	11	14	-	-	-	12	-	-	-	25	-	34	-	14
	Accessories	-	20	28	57	-	-	-	31	-	-	-	-	-	-	14	29
	Oil	20	20	-	-	-	-	-	-	-	-	-	-	25	-	-	-
	Grease	20	20	-	-	-	-	-	-	-	-	-	-	25	-	-	-
	Anti-freeze	20	-	-	14	-	100	-	-	-	-	-	-	-	33	14	7
All Brands	Tires	60	40	-	-	-	-	-	-	-	-	-	50	25	33	-	7
	Batteries	40	20	-	-	-	-	-	-	-	-	-	25	25	33	-	7
	Accessories	60	40	11	-	-	100	12	-	-	-	-	-	75	67	43	57
	Oil	20	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Grease	20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Anti-freeze	20	-	-	-	-	-	-	-	-	-	-	-	25	33	-	-
Non-Distributor Brands	Tires	20	20	-	-	-	-	-	-	-	100	67	25	75	34	-	-
	Batteries	20	20	-	-	-	-	-	-	-	100	67	50	50	33	-	-
	Accessories	20	-	-	-	-	-	-	6	-	100	100	100	25	33	-	-
	Oil	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Grease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Anti-freeze	20	20	-	-	-	-	-	-	-	-	-	-	25	-	-	-
No Information or Sales	Tires	-	-	5	14	-	-	-	12	-	-	-	-	-	-	-	-
	Batteries	-	20	6	14	-	-	-	13	-	-	-	-	-	-	-	-
	Accessories	-	20	-	14	-	-	-	13	-	-	-	-	-	-	-	-
	Oil	-	-	-	-	-	-	-	6	-	-	-	-	-	-	-	-
	Grease	-	-	-	-	-	-	-	6	-	-	-	-	-	-	14	-
	Anti-freeze	-	-	-	-	-	-	-	6	-	-	-	-	-	-	14	-
Total Stations	All Products	100	100	100	100	-	100	100	100	-	100	100	100	100	100	100	100

The situation among the independent, brand dealers who do not fall in the exclusive and predominant classes was similar to that found in the Ottawa District survey in that there did not seem to be any particular bias against handling products of the supplying oil company or its designated wholesaler. Thus a high degree of exclusivity seems a matter of real choice among some independent, brand dealers.

Opinions were expressed by the service station dealers on the question of insistence by their supplying oil companies on compliance with exclusive full-line forcing and directed buying policies. It is possible that the survey itself may have given the dealer what appeared to him to be an excellent opportunity to make complaints to some authority who might assist him without much risk that the supplying oil company would take any action against him. Thus these opinions may be exaggerated. Nevertheless, they are helpful in appreciating some of the effects of exclusive full-line forcing and directed buying at the service station level. It should be noted that while the questionnaires yielded information on brands of oils, greases and anti-freeze dealt in, as well as T.B.A. products, the questions concerning insistence by the distributor related to T.B.A. products only.

Because they may shed some light on conditions existing elsewhere in Canada in the service station networks of the same distributors, chief attention is given to views of dealers for B.A., Canadian Oil, Texaco Canada, and Imperial although some reference is also made to views of dealers for Radio, North Star, Anglo-Canadian and Anglo American.

The data in Table 36 indicate that exclusivity in dealing in oils, greases and anti-freeze by independent, brand dealers for B.A., Canadian Oil, Imperial and Texaco Canada was usually rather high while the reverse held, with certain exceptions, for exclusivity in T.B.A. products. Among such dealers for the four companies, comprising almost 83 per cent of the independent, brand dealers surveyed, none indicated insistence that they deal in T.B.A. products handled by their distributor, or the recommended wholesaler. A similar situation was found among the independent, brand dealers for the other principal suppliers in Greater Winnipeg. A small number of dealers took the initiative to express positive satisfaction with their relationship with their supplying oil company and some dealers stated that their oil company's own or recommended products offered the best competitive products. It should also be noted that a considerable number expressed the view that they exercised their own choice as to their sources of supply for T.B.A. products.

In Table 36, the data indicate that exclusivity in dealing in all service station products by lessee dealers for B.A., Canadian Oil, Imperial and Texaco Canada with minor exceptions was high.

Accessories was the one group of products where exclusivity sometimes was only moderately high. Some lessee dealers for these companies and for North Star and Radio claim to have been faced with insistence that they follow their oil companies' exclusive full-line forcing and directed buying policies in T.B.A. products. The following are the percentages of the companies' lessee dealers surveyed in Greater Winnipeg who reported such insistence: B.A., 22 per cent; Canadian Oil, 21 per cent; Imperial, 38 per cent; Texaco Canada, 53 per cent; North Star, 53 per cent; and Radio, 18 per cent. The majority of these dealers appeared to regard this pressure as light: this was the case with all the Canadiar Oil, B.A. and Radio dealers. About one-third of the Texaco Canada, about two-fifths of the Imperial and about one-fifth of the North Star dealers reporting insistence by their distributor, suggested it was more than light.

The manner of the insistence as interpreted or expressed by the lessees and the actions taken to obtain the lessees' co-operatic with their oil companies' policies varied considerably. Cancellation of the lease and eviction, and rent increases, were allegedly hinted at or threatened; offending stock or advertising was allegedly remov or the lessee instructed by the oil company representative to get rid of it (sometimes only to get it out of sight); overstocking by the suppliers of T.B.A. products was complained about; purchase invoices for supplies were allegedly sometimes checked by oil company representatives to determine the amount and origin of stock purchased; and the contractual nature of the lessee's relationship was sometimes stressed and the possibility of difficulties or penaltie allegedly implied if compliance was not forthcoming. It should be noted that despite reporting insistent demands by their suppliers, a number of these lessees expressed satisfaction with their working relationships.

The majority indicated no insistent demands by their distributors. In addition, a small number of lessees indicated positively that they were satisfied with their existing relationships.

Although many lessees appear to recognise and observe their contractual or allegedly "understood" requirements as to the supply of service station products, such requirements seem at times to have been regarded as little more than a moral obligation to abide by the supplier's T.B.A. policies. Some dealers seemed to regarc their obligation lightly, since they expressed the view that they felt free to obtain their supplies where they wished. Nevertheless, the products which were not distributed or specified by the oil company, were not sold openly so as to avoid antagonizing company representatives. A point raised quite frequently was that cheaper goods of equal or better quality, particularly in the accessories

ield, could be obtained from other sources than the recommended /holesalers, and where advantage could not be taken of this ituation, the lessee felt he was losing money he could otherwise arn. A few dealers stated that their oil company's own or ecommended products offered the best business deals.

It was also remarked occasionally by lessees that onditions had been worse; that more insistent demands had formerly een made by the oil companies. In view of the companies' policies as eported above (pages 83 to 139), it may be that sometimes person- el at the district or divisional level have been the parties responsible or exerting pressure; that is, that some of the staff, responsible for ncreasing or ambitious to increase sales, have gone beyond the imits set out in company policy and that conditions have improved on ppointment of different personnel.

The information obtained in this survey indicates that usiness done by credit cards could account for a substantial portion f a dealer's business, sometimes up to 75 per cent. However, more requently it was at the 10 to 25 per cent level. Most of the oil ompanies require that the sale of products by credit card be confined o their own brands of products or certain specified manufacturers' ines (a requirement apparently not always observed).

The survey did not yield much information concerning co- perative advertising by the oil companies in which the dealers hared. Some spot radio announcements were made and the cost of hese appears to have been shared equally by the dealer concerned and he oil company. Independent, brand dealers do not appear to benefit rom oil company advertising in the business directory section of the elephone book where service stations are listed under their uppliers' brand names.

:. Analysis of Results of Questionnaires sent to Manufacturers and Suppliers of Automotive Products

In the summer of 1958, a questionnaire (see Appendix IV) /as sent to 263 manufacturers and suppliers of automotive products hroughout Canada. Replies were received from 162 companies and, f these, 107 have been analysed below, two are referred to in the ection dealing with wholesalers (see below) and the remaining 53 ither were not concerned with the subject matter of this inquiry or rovided no information.

Of the 107 companies whose returns were analysed, six nanufacturers produced tires and tubes; nine manufactured atteries; 76 were suppliers of accessories (see Appendix I for list f commodities classified as accessories in this inquiry); seven

produced additives; fifteen anti-freeze; nine, greases; and fifteen lubricating oils. Nineteen manufacturers also produced automotive parts but this aspect of their business is not analysed in detail here. Obviously a number of manufacturers were suppliers of more than one product. For instance a number of them were produc ers or suppliers of tires and tubes, batteries, and accessories. In this respect some companies combine wholesaling activities in a range of automotive products with manufacture of only one group such as tires and tubes. The activities of a few of the suppliers appeared on analysis to be largely wholesale in nature. These companies wer not separated from the others and included with the automotive wholesalers whose returns are analysed in the following section (except for the two instances referred to above where the data received indicated clearly the nature of their activities and also was i a form making it possible to do so). This was because these suppliers are not generally regarded in the trade as automotive whole salers. Moreover, on the basis of the limited information available on the activities of some companies and the level at which they operat in the distribution of automotive products, it was found necessary to classify them somewhat arbitrarily with the central distributors, jobbers or manufacturers' agents whose primary function is not to serve the automotive retail trade as do the automotive wholesalers.

1. Suppliers of Tires and Tubes

The six reporting manufacturers of tires and tubes were Dominion Rubber Company Limited, Dunlop Canada Limited, Firestone Tire & Rubber Company of Canada Limited, B.F. Goodrich Canada Limited, Goodyear Tire and Rubber Company of Canada Limited and Mansfield Rubber (Canada) Limited. The total sales of all products of these six firms were $244, 100, 000 and $273, 201, 000 in 1955 and 1956 respectively. Their sales of tires and tubes amounted to $145, 341, 000 and $165, 487, 000 for the same years or a proportion of 59.6 per cent and 60.5 per cent. These companies' customers included oil companies, automotive distributors, department stores, car manufacturers, automotive chain organizations and dealers.

Five of these manufacturers reported market access agreements with one or more principal distributors - Canadian Oil, B.A., Royalite, Anglo American, Reliance, Supertest, Vigor, Regen B.P., Great West, Cities Service, Canadian Petrofina, Home, Texaco Canada, North Star, Radio, Shell, Standard, Anglo-Canadian Husky, and Sunoco. Although Imperial apparently has not entered any agreements with tire manufacturers, Imperial's subsidiary, Atlas Supply Company of Canada Limited, handles "Atlas" branded tires an tubes manufactured by Dominion Rubber. Some oil companies have agreements with more than one manufacturer. Mansfield, a tire and tube manufacturer which does not deal in batteries and accessories, reported no such agreements with the oil companies.

In 1955 and 1956 respectively, tires and tubes worth 14, 952, 000 and $20, 433, 000 were sold to oil companies, under agree- ients, by the five suppliers. These sales represent 10.3 per cent and 2.3 per cent of the manufacturers' total tire and tube sales.* (in the ales figures cited above, for one of the companies agreement sales f T.B.A. products and not just tires and tubes are included, although ie latter appear to account for the major share). These percentages f course represent an average for all five companies. Individual igures for the suppliers ranged between one per cent and 20 per cent f their total tire and tube sales. Thus the year 1956 showed an icrease in agreement sales of 36.6 per cent over the previous year.

The commission rates paid by the suppliers to the rincipal distributors on sales of tires and tubes varied between 7.5 er cent and 15 per cent of sales with the most common being 10 per ent. One manufacturer has negotiated different commission rates ith different oil companies. Commission payments sometimes epresent a large amount of money; for instance one supplier paid ver $1, 000, 000 in commissions on agreement sales of T.B.A. roducts in 1956.

It is a common feature of the agreements between rincipal distributors and tire manufacturers for the manufacturers to ign Tire Dealer Franchise Agreements with individual service tation dealers. The return of information of Canadian Oil for 1953, or example, included copies both of the general agreement with B.F. oodrich and the B.F. Goodrich Tire Dealer Franchise. Similarly he return of North Star for 1953 included copies of the general agree- nent with Firestone and the Firestone Dealer Franchise. A Dealer ranchise may be confined to the manufacturer's branded tires and ubes or may cover all his branded automotive products.

Mansfield does not sell to any of the oil companies or heir dealers. Its return however did not indicate that the Company vas precluded from selling to them if it wished to do so. Neither did he returns of four of the five reporting suppliers that have greements with principal distributors indicate that they were preclud- ed from selling to other service station networks but they could not

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* On p. 77, sales of tires and tubes under agreements compiled from the returns of the principal distributors totalled $16, 668, 000 and $19, 460, 000 in 1955 and 1956 respectively. Discrepancies in the two sets of data may in part be due to reports in some instances being for different time periods.

supply any figures on such sales which are probably made through wholesalers and not directly by the companies. It appears that these sales would represent only a small percentage of their total sales. Dunlop however reported that it was precluded to a certain extent fro selling to some service station dealers. The following extract is from that Company's reply to question 7 (a) and (b) of the questionnaire:

"7 (a) The Company does not have agreements with any oil refinery and distributing companies other than those mentioned above. The lack of such agreements does greatly reduce the chances of making sales of products to the various oil company distributors but occasionall such sales can be made and efforts to that end are sustained.

(b) The Company is always anxious and ready to make agreements with any oil company for distribution of its products but the usual policy of oil companies is to restrict their endorsement to one brand or in some cases, two brands."

(Exhibit M 78)

The tire and tube manufacturers regard the service stations as a most important avenue of retail distribution. The companies indicated that they were constantly endeavouring to enlarge their representation in these gasoline outlets. The followin extract from the reply of Goodyear indicates how significant this market is and how rapidly it may be expanding:

"You have invited our opinion as to the extent and growing importance of these arrangements with Canadian oil company distributors. It is unquestionably true that the retail gasoline outlet as a point of sale for our products has become increasingly more important. This is evidenced by the fact that durin our Company's bonus year ending October, 1955, sales by unit of products for use in the operation of motor vehicles, sol through retail outlets controlled by oil companies with which we had arrangements, constituted 17.5% of our total unit sales of such products. For the similar period in 1957 the percenta had increased to 21.4% and for the ten months of the current tire year the percentage has increased to 26.2%. Because of t intense competition in the tire manufacturing industry in Canada, we have been compelled to increase and expand our distribution facilities to meet this competition with the result that retail gasoline outlets provide an important and natural

medium for these sales. It is quite likely that these arrangements with oil companies will become more widespread rather than restricted in the future unless other methods of distribution and marketing are developed either by the oil companies or by tire manufacturing companies."

(Exhibit M 82)

2. Suppliers of Batteries

Returns of information were received from nine suppliers of batteries. In the course of another inquiry a tenth manufacturer had returned information to the Director which was also of value in this inquiry. Five of the ten companies - Alberta Battery Company Limited, Giant Battery Company Limited, Gould National Batteries of Canada Limited, Hanning Electric Company Limited and The Electric Storage Battery Company of Canada Limited - are exclusively producers of batteries; four - Dominion Rubber, Firestone, B.F. Goodrich, and Goodyear - produce tires, tubes and accessories, being wholesalers in batteries; and one - Globe-Union Canada (1953) Limited - is also interested in accessories to a small extent.

Alberta Battery, Gould National, Hanning and Electric Storage reported sales of over $9, 071, 000 in 1956. Firestone, B.F. Goodrich, Goodyear and Globe-Union reported battery sales of over $2, 253, 000 in the same period. The sales of the three tire manufacturers would represent wholesale sales of batteries presumably included by the battery manufacturers in the first figure. It is estimated that the f.o.b. factory value of sales by all reporting companies, after correction for duplication, would total around $9, 507, 000 in 1956. Goodyear, Firestone, and B.F. Goodrich buy their private brand batteries from Electric Storage, and Goodyear also buys from Gould National. It should be noted that replies were not received from two battery manufacturers which are understood to produce distributor brands such as "Atlas" as well as their proprietory brands. It is assumed that the fourth tire manufacturer distributing batteries, Dominion, is supplied by one of these manufacturers.

Electric Storage and Gould National reported sales to oil companies and their dealers. The former sells its own brand to service station dealers under market access agreement with Canadian Petrofina, Texaco Canada, North Star, Regent, Reliance, Shell and B.P. It also has agreements with five large wholesalers in Port Arthur, Winnipeg, Regina, Calgary and Vancouver, covering their sales to the service station dealers of B.A., Royalite, North Star, Texaco Canada, Standard, Home, Shell, Great West, Anglo American, and Canadian Oil. Electric Storage also reported making private

brand natteries for B.A., Cities Service, and Sunoco, and, as noted above, for certain tire manufacturers. The Cities Service return indicated that it bought its private brand batteries also from B.F. Goodrich. Gould National does not sell under any agreements with oi companies. It reported selling a private brand to Cities Service whic sales accounted for 0.5 per cent and 1.0 per cent of the Company's sales in 1955 and 1956 respectively. It also reported making private brands not only for Goodyear as mentioned above, but also for two automotive wholesalers - United Auto Parts Limited and Canadian Fairbanks-Morse Company Limited and some unnamed small jobbers. Four battery manufacturers, namely Alberta, Giant, Hanning and Globe-Union were not parties to market access agreements. The main customers of these manufacturers were automotive wholesalers, department stores, industrial accounts, and dealers including service station operators where possible. Globe-Union sol all its batteries to a department store customer under the customer' brand name.*

Sales by Electric Storage under market access agreemen represented 15.4 and 9.5 per cent of the Company's total sales in 1955 and 1956 respectively. The rate of commission granted to the oil companies was 10 per cent. There is evidence that at least two battery companies not replying to the questionnaire, had agreements with principal distributors.** The commission received by one distributor from one of these battery companies was reported to be $2.25 and $1.30 for each first and second line battery purchased by the distributor's dealers.***

It has already been noted that Firestone, Goodyear, Dominion Rubber, Dunlop, and B.F. Goodrich have market access agreements with a number of principal distributors, pertaining to the sale of tires and tubes. The agreement forms used by B.F. Goodric appear to provide for market access commissions only on sales of tires and tubes and not of batteries, and any sales of batteries to

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* It was reported in the press of June 1, 1959, that Globe-Union had sold its plant facilities to a competitor not previously located in eastern Canada. The Company also reported to the Director it was winding up its affairs.

** Supertest 1958 returns of information: wholesaler return Exhibit D 13.

*** Supertest, 1958 return of information.

service station dealers or to the oil companies themselves would appear from that Company's return to have been made outside the agreements. The agreements of the other tire companies or their marketing subsidiaries, cover all products dealt in by them and normally distributed in the automotive trade. Dunlop does not distribute batteries so its agreements do not cover this product.

Dominion Rubber, Firestone and Goodyear reported agreements with the following major oil companies - Canadian Oil, B.A., Reliance, Supertest, Anglo American, Canadian Petrofina, Home, Texaco Canada, North Star, Radio, Shell, Standard, B.P., Royalite and Husky. It is not possible to give the value of battery sales made under agreements because some of the companies replied by giving only the number of units sold for which no wholesale value is known. Where the commission paid on batteries was given in the returns on a dollar basis, it varied from one dollar to sixty cents per unit depending on whether the batteries involved were first or second class in quality. Where the commission paid was given as a rate, it varied from 10 to 3.5 per cent.

The four tire manufacturers selling batteries did not consider themselves precluded from selling to service stations. However, Alberta Battery, Giant and Hanning, being without agreements, reported difficulties. The following extracts from the replies of these companies illustrate their position.

(a) Giant Battery Company Limited

"The bulk of our sales are made to industrial users but we enjoy a business of [a] few Gasoline Retailers, who invariably own their property or who are highly successful operators in the Urban districts.

Without exception, T.B.A. Managers of the major oil Companies make it most clear to B.Cs. operators [presumably means 'service station dealers in B.C.'] etc., they have to buy either specified product lines in batteries, or else they have to buy from a specific dealer, which amounts to the same thing. This practice virtually cuts our operation to almost non existence with independent gasoline retailers. I might say at this time, that [of] those dealers that do stock our batteries . . . some of them keep them hidden in the back wash room or parts room. The reason they keep them is, that they have to buy a product such as ours to be competitive.

. . .

. . . We feel that restrictive practices are operative in our particular field of endeavor."

(Exhibit M 97)

(b) Alberta Battery Company Limited

In answer to question 7 of the questionnaire:

"Small Company with limited facilities.
Could not compete with bigger companies for these products."

(Exhibit M 22)

(c) Hanning Electric Company Limited

In answer to question 7 (a) of the Questionnaire:

"We have found certain difficulties selling to some Service Stations which are sponsored by Oil Companies, because these companies have their own lines of batteries. In some cases, this depends on the owner of the outlet."

(Exhibit M 79)

From correspondence:

". . . We have been able to sell to some of the service stations because the owner has been willing to cooperate with us, regardless of his association with the oil company, that, mostly in cases where the owner is economically free of obligations to the oil companies. If, however, the owner of the outlet is financially dependent on the oil company, it is almost impossible to sell him any of our products."

(Exhibit M 79)

The following extract from the reply of Gould National places in perspective the importance of service stations as an outlet for batteries:

"The retail gasoline outlet is of course, a growing factor in the distribution of batteries to the consuming public, but the automotive and department stores still are very much in the picture."

(Exhibit M 89)

The fact that Electric Storage makes a private brand battery for one large department store lends support to this statement.

. Suppliers of Accessories

As noted above, 76 manufacturers or suppliers of ccessories replied to the questionnaire and for 55 of these, ccessories were the only automotive products dealt in. The remainig 21 sold other automotive products such as tires and batteries, rease, oil, anti-freeze, or additives. With few exceptions, for the 5 dealing in accessories, such products accounted for only a minor art of the total business. Frequently the detailed information on ales was not complete.

Customers of the accessories suppliers include oil ompanies; automotive wholesalers, jobbers or distributors; chain tores; car manufacturers; department stores and service tations. In addition, repair shops, hardware stores and electrical istributors were listed as customers.

Lack of detailed information and difficulties in segregating ales data for accessories from data for other automotive products, nake it impossible to provide figures for total sales of accessories y the reporting companies. It must also be noted that some of the tems classified for the purpose of this inquiry as automotive ccessories, such as sun glasses or flashlight batteries, find their videst distribution through other channels than the automotive trade. Thus some of the data for accessories must reflect estimates based n somewhat arbitrary classifications. Nevertheless sales of ccessories by the reporting companies represent substantial totals, robably considerably in excess of $30,000,000 annually. As the ist of companies indicates, a number are very large companies nanufacturing a wide range of products, but many are very small. The importance of accessories in each company's array of products, f course, showed wide variation. Some companies manufactured nly accessories while for others accessories accounted for considerably less than one per cent of sales. Short of listing the available igures for each company it is unrealistic to attempt wider analysis on a general basis. The experience of certain companies cited below may llustrate the general remarks just made. A majority of those reporting their accessories sales indicated increases in 1956 from the previous year.

Among the 76 suppliers, Goodyear, Dominion Rubber, Firestone, Dunlop, Westinghouse, and Bowes "Seal Fast" Company Limited have market access agreements with principal distributors. It will be recalled that the first three of these suppliers have agreements with distributors covering tires and tubes and batteries as well. These three suppliers are wholesalers of some accessories, as they are of batteries, buying their products on a direct basis from manufacturers. They also themselves manufacture some lines of

accessory products. In 1956 sales of accessories (both manufacture and purchased for resale) accounted for 1.4 per cent of total sales Goodyear, 0.12 per cent for Dominion Rubber, and 0.8 per cent for Westinghouse. No information is available for the other suppliers with agreements. Besides these six companies that have market access agreements with the oil companies, nine [Canadian General Electric Company Limited, Canadian Shaler Products Company Limited, Champion Spark Plug Company of Canada Limited, Dayton Rubber Company (Canada) Limited, Dill Manufacturing Company of Canada Limited, Dominion Rubber, B.F. Goodrich, Mallory Battery Company of Canada Limited, and Purolater Products (Canada) Limited] reported that they sell directly without agreement to oil companies or to Atlas Supply, Imperial's purchasing subsidiary. Information available shows that sales of accessories constituted the following percentages of the respective companies' total sales in 195 Canadian General Electric, 1.15 per cent; Champion Spark Plug, 94.6 per cent; Dayton Rubber, 47.9 per cent; Dill, 92.8 per cent; B.F. Goodrich, 5.7 per cent; and Purolater, 60.7 per cent.

In two instances only were details provided on the amour of sales made through market access agreements. Dominion Rubbe reported that agreement sales with principal distributors represente about 10 per cent of its total automotive accessories sales and Canadian General Electric indicated that during the currency of its agreement with Atlas Supply (subsequently cancelled) sales under this agreement amounted to a little under 5 per cent of accessories sales. With both companies the commission paid was 10 per cent. In the case of Westinghouse, which had an agreement with B.A. for which no sales figures were given, the commission in the form of a rebate was one per cent of total net sales. Champion Spark Plug wa reported in the 1953 return of Sunoco as having Distributor Agreements with Sunoco whereby Champion Spark Plug would pay a "special sales service compensation" of 10 per cent of the billings t the company. In return, Sunoco salesmen were to promote "aggressively" Champion Spark Plug's products and to service Champion Spark Plug franchise accounts. Presumably Champion Sp Plug enfranchised the service station dealers, among others, to sel its product to the public. Sunoco reported in its 1958 return that it dealt directly with Champion Spark Plug on a purchase-for-distribution basis and that its dealings did not come under "agreem sales". Although this suggests that Champion Spark Plug must have modified its methods of distribution, the Company stated that it sold only through "distributors under franchise agreements" (Exhibit M 7

Because there is a wide variety of goods, sizes, qualities, uses, etc., involved with automotive accessories and because unit prices are generally low, distribution to numerous,

nall retail outlets is greatly facilitated by the wholesale stributor, whether such distributor is an independent company or erely the department of an oil company. It is obvious that one stributor handling a broad range of products can reach retailers ore economically than can a number of manufacturers each handling ıly a few lines. Thus one would not expect many manufacturers to directly concerned with being precluded from selling to service ation dealers and few companies indicated that they considered this arket closed to them. Nevertheless if independent wholesalers have d difficulties in reaching these outlets because of market access reements, then a market access agreement between the manufactur- and the oil company might become considerably more attractive. oreover, direct dealing with oil companies as jobbers might also be alternative. The following extracts from the replies of the anufacturers suggest the approach which accessories suppliers take the problem:

(a) A national distributor with manufacturing subsidiary; <u>the J.C. Adams Company Limited:</u>

"Our methods of operation are such that each year we finish up selling over 90% to automotive jobbers and/or wholesalers, they in turn selling to garages, service stations and other dealers and fleet accounts. However, we do sell to three or four regional oil companies who in turn sell to their dealers. Our relations are strictly those of buyer and seller and our terms and conditions are the same as those under which we sell to the wholesale trade.

We only sell to oil companies when we are satisfied they are performing the functions of a jobber. As in our sales to other wholesalers, there are no restrictions or conditions involved, neither are there any rebates, over-riding commissions, etc. We do not allow any such rebates or over-riding commissions to wholesalers of any kind, and therefore not to oil companies.

May we add that a lot of figures might (and no doubt will be) used to substantiate two significant points. One - we are also a nation on wheels and depend on readily available service stations for our way of life. Two - it is in the interests of the public and of our expanding economy for traders of all kinds to be as free as is practical in the public interest to buy where they will and to sell however they can in providing for their customers, within the framework of existing law."

(Exhibit M 76)

(b) A company selling other automotive products besides accessories directly to service station dealers - Bardahl Lubricants Limited:

". . . We certainly feel that the oil companies have been doing their best to prevent us from selling our goods through the independent lessees of their stations.

. . .

We have many calls during the year from people who have used our products or would like to use them, advising that their service station outlet cannot supply them because th retail gasoline dealer is not permitted to stock our products. There is continual pressure from the oil company supervisors to prevent the gasoline dealers from either displaying or selling our goods. This pressure is backed up with threats of lease cancellation either actual or implied to the extent that the retail dealer is afraid to permit our goods to be seen around his service station. If it were not for the fact that ma thousands of car drivers have tried and proven our product and therefore continually insist upon obtaining them we would have been out of business a long time ago. We feel that the restrictions by the oil companies are limiting our sales by possibly 50% or 60%."

(Exhibit M 91)

In answer to question 7 (a) and (b) of the questionnaire:

"7. (a) I We do not know the reason in all cases why our goo are not permitted to be sold through service station and similar retail outlets. In some cases it has been because we do not sell through automotive jobbers that have or have had agreements with the oil companies to Pay a 'kick back' to the oil companies.

II They will not allow the lessee to handle our product because they have similar products of their own.

III They say such products as ours are not necessary, and therefore prevent their sale.

IV They will not permit the sale of our products because they are not sold through their T.B.A. department.

V The following companies try to prevent the sale of our goods through their retail outlets, most of whom are lessees:

. . .

[names of ten of the principal distributors listed]

7.(b) We could not say as we have never really tried to work out any such agreements as they were not of interest to us."

(Exhibit M 91)

Bardahl subsequently indicated in a meeting with the Director that it has found it necessary to consider arrangements with the oil companies to facilitate selling to service station dealers. Affidavits signed by the Company's salesmen reporting service station dealers' reasons for not selling the Company's products provided the following extracts:

"He is not allowed to sell or display any Bardahl products, as they subtract from the volume of goods sold by the Texaco Oil Company and the Firestone Tire Company; whose products he must handle."

(Exhibit M 91 (a))

"The Texaco supervisor refuses to allow . . . [dealer's name] to stock, display or sell, any merchandise other than that sold & advertised in the Firestone catalogue, or products manufactured by the Texaco Company."

(Exhibit M 91 (c))

"Mr. . . . of Texaco Co. told him he would increase his rent if he stocked or sold Bardahl Products."

(Exhibit M 91 (d))

"Mr. . . . of the Texaco Company has told him he cannot sell Bardahl Products and that if he does they will cancel his lease."

(Exhibit M 91 (e))

"The Shell Oil Company has warned him not to sell or display Bardahl and also stated that if he did they would raise his rent."

(Exhibit M 91 (f))

"The Cities Service Oil Company insist on his selling their own products, such as Engine Pep, Gas Line Anti Freeze. They said they would cancel his lease if he did not stop selling Bardahl Co. products."

(Exhibit M 91 (i))

"The Canadian Oil Company supervisor, told him that only their own products can be sold in their stations,and all Bardahl products must be removed from the station."

(Exhibit M 91 (j))

"The representative of the Texaco company looks through his stock cupboards etc. for products other than those recognized by their company and if any are found, they threaten to cancel his lease."

(Exhibit M 91 (k))

"Mr. . . . local mgr for Texaco said he could not stock or display Bardahl."

(Exhibit M 91 (o))

(c) A company selling other automotive products than accessories - Bradford-Penn Oil Limited:

"We are sorry that we did not make ourselves clear in our letter to you of June the 25th relative to sales to independently operated service stations and the opinion that we would have to express, Mr. MacDonald, is that the major oil companies probably do not command as much control [presumably 'as'] over the stations which they lease but you can be assured that they exert every ounce of pressure that they dare to put on. Wherever the private brand of the major oil company is displayed at a retail outlet you can be sure that, lessee or private owner, the major oil company is really putting on the heat.

A few years ago a fellow by the name of . . . of . . . Ontario, who incidentally operates under that name, and who owned his own truck, was acting as a farm distributor for . . . [a principal distributor] and Mr. . . . feeling that he was independent, purchased some oil from us and a spotter, we guess this is the right word, from . . . [the principal distributor] discovered this and forced him to return the oil to us and two . . . [of the principal distributor's] men from their office gave him a real going over. They wrote a letter

in which Mr . . . apologized very profusely for being a bad boy and stating that he would not do such a bad thing again and then had him sign this letter. Mr. . . . wasn't as stupid as they thought he was because they used his stationery on which to write this letter and he slipped a piece of carbon paper in before they wrote it, the result was that he had a copy of the letter that he had given to them. We saw this letter and you can be assured it really was disgusting. If you want to contact Mr. . . . you can do so by addressing it to . . ."

(Exhibit M 94 - letter dated July 2, 1958)

"We are prevented from making sales to any major oil company service stations due to the type of lease and in many instances, the type of mortgage which they execute. It is a general practice for these leases to contain a 30 day cancellation clause if any products other than the lessors products are sold during the time of this lease and where mortgages are executed, it is our opinion that they are for a definite period of time and cannot be paid off in full, for the full period of the mortgage which, in turn, ties up the mortgagor to sell their products exclusively.

If we are successful in making any sales to a service station the service station operator is considered a crook by the major company and we are considered as bootleggers."

(Exhibit M 94 - letter dated June 10, 1958)

(d) From the United States parent company of a Canadian manufacturer - The Canadian Shaler Products Company, Limited:

"The Company has never been a party to any agreement, verbal or otherwise, whereby the Company pays an overriding commission or any other consideration to a producer or distributor of petroleum products for the privilege of making sales to or through their retail outlets.

. . .

At the present time our Federal Trade Commission is investigating a situation which parallels the one you apparently are trying to prevent. Several of the large major rubber companies have been soliciting business direct from retail outlets, delivering and collecting for the merchandise and giving the major oil company a rebate on that business. The

only function the major oil company performs to earn that commission or rebate is to send a circular letter out to their dealers recommending a source of supply for various items used or resold in their stations. We have repeatedly refused to participate in a program of that kind here in the United States and certainly would not permit our Canadian subsidiary to enter into a program of this kind."

(Exhibit M. 92)

(e) Two companies, the majority of whose products are not automotive -

(i) Canadian Westinghouse Company Limited:

In answer to question 3 (b):

"Although we do sell Oil Companies directly where they will contract for exclusive distribution of our product, and provide a distributor function, many retail gasoline outlets (in fact, a majority) are sold and serviced by our own or competitors' distributors or their wholesale agents. . . ."

In answer to question 7 (a):

"No, because we would not enter into an agreement with an Oil Company of this nature unless we were assured one hundred per cent of their business. Therefore, the question is of no practical significance to us."

In general:

"In your letter you asked for my view as to the significance of the retail gasoline outlet as a channel of distribution. So far as the products we have for sale to the automotive trade are concerned, I regard the gasoline outlet as an important point of distribution. As you will appreciate, human nature is such that a lamp is not likely to be replaced until it has actually failed but, once it has failed, its owner seeks the nearest outlet for replacement. Thus, so far as the replacement market is concerned, we are now attempting to cultivate this field more fully.

You also asked my views as to the prevalence and importance of arrangements which are the subject matter of your enquiry. In answer to this, I think I can state that I believe them to be quite prevalent but, as will appear to you from my answer to question 7 (a), I consider, from our point of view,

this form of arrangement to be the most economical way of distributing these products and, as I pointed out, we would not be interested in having an agreement of this kind unless we were assured of the total business of the organization."

(Exhibit M. 105)

(ii) James B. Carter Limited:

In answer to question 7 (b):

"Our Company could have an agreement with the oil companies but from our experience it is not desirable."

(Exhibit M 75)

(f) A manufacturer of additives - Kleen-Flo Corporation:

In answer to question 7:

"(a) With reference to retail petroleum outlets through which our products are sold, these outlets can be classified as three types. (1) Independent Service Stations, (2) Garages, (3) Lessee operated Service Stations. Through outlets (1) and (2) we enjoy reasonably good freedom of sales. Through outlet (3) there exists a restraint to a small degree with . . . [seven principal distributors named]. However, the greatest problem is with . . . [three other principal distributors named]. In these instances and to some degree with the others as well, these refiners are either producing their own Chemical products and insist that their lessee operators buy and sell Company products. The above last three mentioned have developed their own T.B.A. divisions and insist that the lessee buy their company branded products, and even, in some cases prohibit purchases from Independent Manufacturers. We are not aware of any agreements that exist between a Chemical Manufacturer and a Petroleum Company, to the extent that the Chemical Company would have the freedom of selling their products to lessee operated outlets.

(B) We could entertain a possible agreement should such an agreement be offered. Furthermore, should an agreement be possible, it is a known fact that the price arrangement would make such an agreement uninviting. Refiner outlets in some instances request prices by tender invitation or by demanding a 20% discount below jobber cost prices."

(Exhibit M 101)

(g) A manufacturer of accessories - Kralinator Limited

"The retail gasoline outlets have in the last ten years become an increasingly important channel of distribution to the consuming public of the products manufactured by our company and to the Canadian automotive wholesalers, for such parts as tires, batteries, accessories. In which class we would specifically itemize oil filters, spark plugs, fan belts and many other parts that can be replaced or serviced by a person other than a registered mechanic.

A further indication of the importance of the retail gasoline outlets as a channel of distribution to the consuming public is that almost 70% of our advertising and sales promotion budget is directed at the retail gasoline outlet.

It is my opinion that many more agreements between gasoline companies and suppliers of automotive products are in force now than five years ago, and many of the suppliers of automotive products, though opposed to such arrangements, have done so to protect their sales volume with retail gasoline outlets."

In answer to question 7 (a):

"Our Company does not sell direct to retail petroleum outlets and therefore it is our wholesaler customer who is precluded from selling its products to these outlets, but wholesalers who carry our brand are precluded from selling to certain retail petroleum outlets because of agreement or (agreements') competitor wholesaler or (wholesalers') have."

In answer to question 8 (a):

"As mentioned 7 (a), we do not sell directly to retail petroleum outlets but we do know that our wholesalers get some business from this class of account even though there maybe an agreement between the oil company supplying the retail gasoline outlet and a competitor wholesaler. An agreement negotiated between an oil company and a wholesaler of automotive parts does not assure the wholesaler of having a completely captive market of the oil companies retail outlets, but we believe that the wholesaler who is a party to the agreement, will enjoy the majority of the business from those retail outlets."

(Exhibit M 70)

These quotations indicate these companies' views about their sales of accessories to wholesalers and service station dealers.

Such views would not necessarily apply to the companies' sales of other products or sales to other customers. For example several companies manufacture products for sale under distributors' or original equipment manufacturers' brand names. This type of business differs in nature from what has been discussed.

4. Suppliers of Additives

Seven producers of additives provided the Director with returns of information. Of these seven, six operated in Canada and the seventh was incorporated in Canada but operated in the United States. Combined sales of all products made by the six suppliers doing business in Canada, were $7, 709, 000 and $7, 855, 000 in 1955 and 1956 respectively. The total sales of additives are estimated to represent about 15 per cent of these figures. Sales of additives by individual producers ranged from 0.5 to 90 per cent of total sales in 1955 and from 0.6 to 92.5 per cent in 1956. Other products produced by some of these companies include lubricating oils, greases, accessories, parts and anti-freeze.

None of these suppliers have agreements with the oil companies. They include among their customers automotive distributors, wholesalers or jobbers; original equipment manufacturers; and where possible, service stations. A number of the oil companies distributing T.B.A. products, such as Cities Service, purchased additives from one of the producers although no producers reported such sales. None of the producers appear to produce additives for distribution by the oil companies under their private brands.

About the effect of the market access agreements and oil company policies under study, three companies - Bardahl Lubricants Limited, Kleen-Flo Corporation and Quaker State Oil Refining Company of Canada Limited - stated that they believed that they were precluded to a considerable extent from selling their products to service station dealers of the major oil companies such as Shell, Texaco Canada, Imperial, Sunoco, Supertest, Canadian Petrofina, B.A., Canadian Oil, B.P., Cities Service, and Reliance. Presumably they were referring to lessee and financially assisted dealers. Extracts touching on this matter from the replies of the first two of these three suppliers were quoted in the section dealing with accessories, that is Exhibit M 91 and Exhibit M 101. One company doing business with wholesalers only, stated that it did not regard itself as precluded from selling to service station dealers. The remaining two suppliers also did not sell at all to retail outlets. In connection with Bardahl, additive sales represented over 90 per cent of the Company's business and 75 per cent of its total sales were to service station dealers. Kleen-Flo apparently sold almost all its products to the wholesale trade.

5. Suppliers of Anti-freeze

Of the 15 companies reporting sales of anti-freeze, five reported this as the only automotive product they sold. The remaining companies sold anti-freeze either as producers, jobbers or wholesalers, to complement other lines of products manufactured by them.

From the statistics provided, which were incomplete in many instances, it is not possible to state the value of sales of anti-freeze by the reporting companies. Moreover, one reporting company is one of the two Canadian manufacturers of ethylene glycol, the base for glycol-type anti-freeze, and its sales figures may contain duplication of sales by some of the other suppliers at the wholesale level.

Sales of anti-freeze by the reporting companies as a proportion of total sales varied; percentages ranging from 0.5 to 7.3 per cent were noted among suppliers for 1956. Besides their principal products such as alcohol and chemical products, a number of the reporting manufacturers sold other automotive products such as lubricating oils, greases, tires, batteries or accessories as well. The return for Dow Chemical of Canada Limited, one of the primary producers of glycol, indicated a major advance in sales of anti-freeze from 1955 to 1956 which represented a change in policy of the company in favour of canning anti-freeze themselves. Sales by Dow of anti-freeze were almost 25 times higher in 1956 than 1955. Sales reported by a number of other suppliers showed decreases, some quite marked.

Customers of the suppliers include commercial accounts, independent service stations, automotive wholesalers, central distributors, dealers, chain grocery stores, department stores and oil companies. None of the 13 suppliers reported any agreement with principal distributors. One supplier reported plans for winding up the company and two others reported that they had recently merged to form a new company. Nevertheless four suppliers reported that they had difficulties or were precluded from selling to service station dealers on account of the agreements or oil company policies under study. Extracts from the reply of one of these suppliers appear in the section on automotive accessories (Exhibit M 94): extracts from the replies of two other suppliers appear below in the section on lubricating oils (Exhibits M 98 and M 106).

In respect to possible restrictions in sales to service station dealers, Dow, a manufacturer of anti-freeze, made the following comments in its reply to the questionnaire:

> "The retail gasoline outlet is a very important channel for the distribution of Dow-produced antifreeze. It is the

most important single channel to us.

We have no knowledge of any arrangements made to restrict brands between supplying gasoline companies and suppliers of automotive products. Competitive national brand antifreeze is offered by service stations even though the company that supplies them with gasoline has its own private label. For this reason we had supposed that the gasoline dealer had some freedom in the marketing of · products to the public."

(Exhibit M 99)

It was noted above that the sales of anti-freeze by Dow had sharply increased in 1956. Its 1957 sales of ethylene glycol anti-freeze were more than double its 1956 sales. Concerning this the Company stated:

"In fiscal 1955 our policy was to sell ethylene glycol to canners. In fiscal 1957 we hired the canners to can for us. Fiscal 1956 represents a transitory period."

(Exhibit M 99)

The effect of this change in policy may be noted in the return of one of the suppliers, Inter Provincial Chemicals Limited, of Alberta. This return indicated that in 1955, 30 per cent of Inter Provincial's sales were made to automotive wholesalers and 70 per cent to principal distributors. In 1956 the proportions had altered to the point where 30 per cent of Inter Provincial's output was canned for a basic supplier (Dow), 46 per cent went to automotive wholesalers, 4 per cent to retail outlets, 12 per cent to principal distributors and 8 per cent to government contracts. (See return Exhibit M 83). The total sales of Inter Provincial Chemicals Limited declined 81 per cent in 1956 from 1955 and sales of automotive products produced by the Company declined 84 per cent in the same period.

6. Suppliers of Lubricating Oils

Fifteen producers and suppliers of lubricating oils answered the questionnaire. One was a small company which was winding up its operations. Six were jobbers who buy their requirements from the large oil companies and supply largely commercial, industrial, municipal and rural accounts but sometimes to a minor extent, privately owned or leased service stations. (One of these companies was acquired in 1957 by B.A.*). One company with head

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* This Company, Canadian Petroleum Company Limited, Montreal, operated two service stations and leased four on condition lessees sold only products distributed by the company.

office in Canada does business only in the United States. The companies so far mentioned provided little detailed information. The remaining seven companies are to a greater or lesser extent producers of lubricating oils and other products. Production on the part of most of these companies consists in buying basic refined oils from the major refiners and blending them, possibly along with certain additives, to produce the particular qualities and types of products in which the companies specialize. To some extent the companies are merely jobbers who package bulk oil under their own labels or private distributor labels. Four of the companies are known to be Canadian subsidiaries of large United States or United Kingdom oil companies.

Combined sales of refined products of six of these seven suppliers amounted to $9, 388, 000 and $9, 945, 000 in 1955 and 1956 respectively, with five of the six companies indicating an increase in sales in 1956. Data on sales of lubricating oils only were generally incomplete. However, for what are probably the three largest companies, sales of lubricating oils comprised 61.3 per cent, 91.5 per cent and 100 per cent of total sales in 1956. Other products included greases, anti-freeze and additives as well as certain accessories such as brake fluids.

The customers of these seven suppliers included industrial, commercial, and government accounts, automotive wholesalers, service station dealers, central wholesale distributors and oil companies. One company, Mobil Oil of Canada Limited, sells all its own branded products to Imperial who acts as the sole distributor of these products.

No suppliers reported market access agreements with any principal distributors. There is no evidence that the Mobil-Imperial arrangement is other than a supplier-distributor arrangement. Nevertheless the other six suppliers and one of the jobbers indicated that they regarded their companies as being precluded from selling to the service station dealers of the principal distributors. Presumably this would be because of the exclusive full-line forcing by the oil companies, rather than any market access agreements between the oil companies and specific wholesalers. Most of the principal distributors produce or supply their own brands of lubricating oils and insist on exclusive handling of their products by their dealers. About this point quotations have been given above, pages 172 to 175. from the replies of some of the suppliers of lubricating oils who handle other automotive products (Exhibits M 94 and M 91). The following are views by four other suppliers of lubricating oils:

(a) <u>A supplier of automotive lubricants - Quaker State Oil Refining Co. of Canada, Limited:</u>

"The main problem which we have to contend with is that, although a considerable portion of the travelling public desire and use Quaker State motor oils, we cannot solicit and sell to lessee dealers who rent and occupy gasoline stations owned by the major oil companies. While it is true a number of lessees do sell Quaker State products in most cases, however, they have to keep it out of sight for fear of being penalized by the oil company they rent their premises from."

(Exhibit M 90)

(b) <u>A Company whose principal products are lubricating oils - Castrol Oils (Canada) Limited:</u>

". . . We have been operating in Canada for 30 years under very adverse conditions because of the one hundred percent contracts which the major gasoline companies insist upon having dealers sign before fuel will be supplied. Under contract with the dealer he is prohibited from buying any products except those supplied by the supplying gasoline company. As a result our activities have always been are now severely curtailed. There are many company leased gasoline service stations who do handle Castrol but have to keep it hidden and out of sight because if it is discovered the operator of the service station will be in serious trouble. They handle Castrol for the simple reason that they have a demand from the motoring public for it.

In the previous paragraph I have referred to the adverse conditions under which we have operated for the past 30 years. This statement deserves further amplification:-

(a) My Company, which was founded by the late Lord Wakefield in England in 1899, introduced its range of Castrol motor oils in 1909. Although the major American and Dutch Gasoline companies were operating in the U.K., there was no attempt by them to control outlets (the 'solus' scheme was only introduced to the U.K. in the 1950's) so that Castrol could enjoy fair competition with the lubricants produced by the gasoline companies. The only arbiter was public demand and such was the superior quality of Castrol that today nearly half the motorists in the British Isles prefer to use our oil. Not only in Britain but everywhere in the Commonwealth where the motorist's choice is the deciding factor, Castrol has obtained a paramount position.

(b) In Canada, the motorist has no real opportunity to make a choice and over the years we have found it a pointless occupation to create public demand when freedom of distribution is denied to us. In recent years, to be perfectly frank, our trading in Canada has frequently been at a loss. Our business has been little more than an effort to 'show the flag'. Like other United Kingdom corporations, my parent company is attracted by the suggestion that British capital should be invested in Canada. Given a fair opportunity our business here could be expanded - the capital is available and would be readily employed but under present trading conditions, any further investment in Canada might be a waste of money.

(c) I appreciate the circumstances in Canada differ considerably from those in the British Isles as it is only in the course of the last five years that 'solus' trading has been introduced to Britain. Even so, in Canada, as in the U.K., there are dealers who own their business and who are tied to a gasoline company by nothing more than a supply agreement. There will be no need for me to tell you how all embracing are these agreements in this country, but one is forced to wonder why, for example, the Esso company in Britain are able to offer their British sites a far less restrictive agreement than is available here. I enclose a copy of one of these agreements for your interest and, as you will note, 'exclusivity' is confined solely to gasoline. Competitive lubricants can be and are openly sold at these sites. I should make it clear that the British agreement to which I refer is only necessary if the trader wishes to enjoy a gasoline rebate. If he does not, then Esso in Britain will readily supply gasoline without any form of agreement or any form of restriction."

(Exhibit M 104)

In replies to questions 7 and 8 of the questionnaire:

"7.(a) We are precluded from officially selling to all major gasoline leased, or company-owned and operated service stations. We do sell to some of their dealer stations who are under contract, but our products must, in most cases, be kept hidden so that the gasoline company supervisor will not see them, otherwise the dealer is in trouble.

7.(b) We would like very much to be able to sell our products to any gasoline station, but the supplying gas company will not allow us to do so.

8.(a) Yes we have sold our products to many retail gasoline outlets without any agreement with the supplying gasoline company. In most cases however the operator had to keep our product out of sight and could not display our sign."

(Exhibit M 104)

(c) A supplier of automotive lubricants - The Panther Company:

"The information you have is correct. That is, that we do not distribute or sell our products through any retail gasoline outlets supplied by major oil companies. The nature of our business is such that we sell direct to the consumer. It has never seemed advisable to try to market through retail gasoline outlets."

(Exhibit M 54)

(d) A supplier of automotive lubricants - Valvoline Oil Company of Canada Limited:

"With regard to selling our products through Service Stations, this is impossible. As you know, practically all service stations are Company owned and in a very few cases privately owned but covered with a heavy mortgage. Through a set-up like this it is impossible for this type of service station to handle any products in the Petroleum line other than offered by the respective owners of service stations."

(Exhibit M 98)

7. Suppliers of Greases

All reporting suppliers of Greases were companies supplying lubricating oils. Four of the nine suppliers replying were among the jobbers reported in section (6) above. The other five were among the seven producing lubricating oils. Only two of these indicated the value of their sales of greases: for one, such sales amounted to 8 per cent of total sales in 1956, for the other, they were an insignificant amount.

The discussion in section (6) above about customers and sales to service station dealers also applies in the case of greases.

F. Analysis of Returns from Wholesalers of Automotive Products

Questionnaires were sent to 538 wholesalers* in all provinces. A total of 212 useful replies was received, that is some 39 per cent of wholesalers responded. As shown in Table 38, one hundred and forty-seven** of these replies provided information in considerable detail. Seventeen companies indicated they were no longer doing business in automotive products and forty-nine provided general information. Just over 5 per cent of the questionnaires were returned by the post office and no information was received from the remaining 56 per cent of the companies polled.

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* A copy of the principal questionnaire sent to the majority of wholesalers is set out in Appendix IV. Slightly different questionnaires, modified to take account of existing data on hand, were sent to a small number of firms. Two companies - Canadian Fairbanks-Morse Company Limited and Hugh Carson Company Limited - were sent the questionnaire sent to manufacturers and suppliers but their returns were included with the 538 wholesalers because the nature of their businesses appeared to be solely wholesaling and involved no manufacturing of automotive products.

** The return from an Ontario wholesaler was received too late for the data contained to be used in this inquiry.

Table 38

Questionnaires to Automotive Wholesalers by Provinces

Province or Group	Questionnaires Sent	Useful Returns	General Returns	Detailed Returns
British Columbia	44	17	3	14
Alberta	19	13	2	11
Saskatchewan	22	17	7	10
Manitoba	27	13	6	7
Ontario	275	97(1)	26	71(1)
Quebec	108	37	15	22
Atlantic	43	19	7	12
Totals	538	213(1)	66	147(1)

(1) Includes the return from an Ontario wholesaler which was received too late for the data contained to be used in the inquiry.

The data for total sales,* received from most of the companies reporting in detail, indicated values of $120, 045, 000** for 1955 and $130, 787, 000** for 1956, as shown in Table 39. These were sales principally of automotive and related products. These sales figures amounted to 39.7 and 38.7 per cent in 1955 and 1956 of the value of wholesale sales reported by the Dominion Bureau of Statistics for wholesalers principally engaged in the automotive parts and accessories trade, including those dealing in tires and tubes. Such sales reported by the Dominion Bureau of Statistics were $302, 700, 000 and $338, 000, 000 in 1955 and 1956 respectively.***

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* Attention is drawn to the note in Chapter I that some companies provided estimated data in their replies to the questionnaire. Caution is urged therefore as to the exactness of some of the figures reported below.

** Including sales of Atlas Supply Company of Canada Ltd., a subsidiary of Imperial.

*** Canada, Dominion Bureau of Statistics, Wholesale Trade, Vol. 21, No. 12, Queen's Printer, Ottawa, 1958, pp. 2 and 3.

Table 39

Sales Data Compiled from Replies of Wholesalers
1955 and 1956

Province or Group	Total Adjusted Estimated Sales		Wholesale Sales as Percentage of Total Sales	
	1955	1956	1955	1956
	$	$	%	%
British Columbia	5,000,000	5,775,000	97	97
Alberta	20,501,000	23,560,000	99	99
Saskatchewan	9,576,000	10,503,000	99	99
Manitoba	7,932,000	8,877,000	93	95
Ontario	36,250,000(1)	36,904,000(1)	98	98
Quebec	33,950,000	38,131,000	97	97
Atlantic	6,836,000	7,037,000	97	97
Totals	120,045,000	130,787,000		

(1) Including sales of Atlas Supply Company of Canada Limited, a subsidiary of Imperial.

The increase in 1956 in the sales of the reporting companies amounted to 8.96 per cent. This may be compared with an increase of 11.7 per cent in the data reported by the Dominion Bureau of Statistics.

Based on the location of the reporting company, the following is a division by provinces of total automotive products sales for 1956:

Table 40

Division of Total Reported Sales
by Provinces, 1956

Province	Per Cent of Total Sales of Reporting Companies in 1956
British Columbia	4.4
Alberta	18.0
Saskatchewan	8.0
Manitoba	6.8
Ontario	28.2
Quebec	29.2
Atlantic Provinces	5.4

The above division of sales does not mean that similar proportions of total Canadian sales were actually made in the provinces indicated. For example, one Alberta firm does over half its business in British Columbia and one Quebec firm does business all across Canada.

Generally, retailing is conducted in conjunction with wholesale activity but in only a few minor instances did retail trade reach a substantial proportion of a firm's business. It has been estimated that except in Manitoba, wholesale sales accounted for 97 per cent or more of total sales by the reporting companies. In Manitoba, between 93 and 95 per cent were wholesale sales.

Wholesalers usually do business on a delivered basis, a feature regarded as important by some firms, when competing with the principal distributors. It was not possible from the small amount of data received to determine the general level of costs of delivery in relation to sales.

The improved sales position for the trade in 1956, indicated above, was reflected by the majority of the companies. Only 20 reporting companies indicated a decline in sales, the largest number being in Ontario. Companies in the Atlantic Provinces and Saskatchewan also reported decreases. The greatest decline reported was 24 per cent. While the majority of increases in sales were between 10 and 20 per cent, a number greatly exceeded this rate. One company more than quadrupled its sales.

From the 142 companies reporting sales by commodities the following data have been compiled:

Table 41

Percentage of Reporting Companies Selling Different Commodities, 1956

Commodity	Selling in 1956 (1)
Lubricating Oils	32%
Greases	32%
Anti-freeze	72%
Additives	80%
Tires and Tubes	29%
Batteries	90%
Accessories	94%
Parts	82%
Other Products	64%

(1) Based on 142 reporting companies.

While the percentage figures varied in different provinces the general pattern was the same. Accessories, batteries and parts were the types of commodities most frequently handled, followed by additives and anti-freeze. "Other Products" was another important class of commodities. This group, although embracing a wide range of goods all of which are not necessarily associated with the automotive field, most frequently included garage and service station equipment such as hoists, and lubricating equipment, paints, tools and labour charges associated with servicing this field. The markedly fewer wholesalers selling lubricating oils and greases is explained best by the fact that most oil companies sell their own brands of oils and greases both to the service station market and to commercial, industrial and other accounts. Thus these commodities, particularly the brands of the small non-integrated oil companies, do not provide a fast-moving line for the wholesalers. With tires and tubes the situation would appear to reflect the policy of tire manufacturers of selling direct to enfranchised service station dealers, thereby by-passing automotive wholesalers.

The percentages of total sales which sales of the different types of commodities constituted for individual companies, varied quite widely. The following is a compilation showing the minimum and maximum percentages reported:

Table 42

Commodity Sales as Percentage of Company
Sales Ranges, 1956

Commodity	Range in Per Cent of Total Sales in 1956(1)	
	Minimum	Maximum
Lubricating Oils	0.02	21.1
Greases	(2)	5.3
Anti-freeze	0.2	15.0
Additives	0.01	28.0
Tires and Tubes	0.1	74.7
Batteries	0.1	22.0
Accessories	0.2	100
Parts	(2)	100
Other Products	0.5	95.2

(1) Based on 142 reported companies
(2) Less than 0.01 per cent.

These data indicate that the percentage of sales accounted for by any given commodity may be quite small. There is quite a variation in the reported maximum percentages. These data suggest that greases and anti-freeze generally are likely to make up relatively minor proportions of a wholesaler's business, that lubricating oils, batteries and additives may each account for somewhat larger proportions, that tires and tubes may provide a substantial share of the business and that sales of accessories, parts and "other products" may each account for all or almost all of a wholesaler's business.

Service station operators were among the customers of most of the companies in the automotive wholesale trade, although a very small number of wholesalers indicated they did not do any business with such dealers. In only a few instances did service station dealers account for all of the wholesaler's business. In one instance the wholesaler reporting, Atlas Supply, was a subsidiary of Imperial and is understood to sell exclusively to this distributor. This wholesaler is discussed in detail below and in Appendix IX. It does not appear to deal directly with service stations or any other customer and acts merely as a purchasing agent for the distributor. The other wholesalers frequently included independent garages, body repair shops, car dealers, commercial and industrial accounts, and trucking fleets among their customers. In some localities, marine,

logging and exploration company accounts were noted.

From replies of the 142 reporting companies the followin information has been compiled:

Table 43

Percentage of Reporting Companies Selling Different Commodities to Service Stations

Commodity	Per Cent Selling in 1956 (1)	Per Cent Selling to Service Stations in 1956 (2)
Lubricating Oils	32	23
Greases	32	20
Anti-freeze	72	68
Additives	80	72
Tires and Tubes	29	22
Batteries	90	87
Accessories	94	88
Parts	82	75
Other Products	64	55

(1) Based on 142 reporting companies.
(2) Including Atlas Supply.

As might be expected, wholesalers selling a given commodity did not always find a market for it among service station customers. Nevertheless it is clearly apparent that in the majority of instances where a commodity was dealt in, service station operators provided some of the wholesaler's business. Although the percentage of wholesalers doing business with service station dealers in a given commodity, varied in different provinces, the general pattern was the same as that reflected in the total figures.

The data above indicate that relatively fewer wholesalers did business in lubricating oils, greases and tires and tubes, with service station dealers than was the case with the other commodity groups.

It is not possible to determine from the replies of the reporting companies, what proportion of every wholesaler's total

sales of a given commodity was made to service station dealers. Information on the percentage of sales of all commodities to such dealers was however somewhat better reported. The following data based on information from some 64 per cent only of the 142 reporting companies are of interest:

Table 44

Commodity Sales to Service Stations as Percentage of Company Commodity Sales Ranges, 1956

Commodity	Range in Percentage of Commodity Sales which were made to Service Stations in 1956(1)	
	Minimum	Maximum
Lubricating Oils	4.5	100
Greases	5.0	100
Anti-freeze	1.0	100
Additives	1.0	100
Tires and Tubes	(2)	100
Batteries	0.1	100
Accessories	0.1	100
Parts	0.5	100
Other Products	2.0	65
All Commodities	(2)	100

(1) Based on 64 per cent of reporting companies.
(2) Less than 0.1 per cent.

These data indicate that for any particular commodity, sales to service station dealers may be of very small importance to a wholesaler. On the other hand it is also indicated that for some wholesalers such dealers may be the only market in the case of each commodity group except "other products". In some instances, as mentioned previously, service station dealers have been the only customers of some wholesalers.

When this information is considered along with the relative importance of the given commodities in the wholesalers' total business, it is evident that service station dealers are likely to be an important market for automotive products wholesalers, but

especially for those wholesalers dealing extensively in accessories and parts.

Among the reporting companies there were only a few who indicated that they had withdrawn from soliciting business from service station dealers because of principal distributors' full-line forcing or directed buying policies. Extracts from the wholesalers' replies touching on this point are cited below. A very small number of wholesalers indicated they had gone out of the automotive products field altogether, because of the above-mentioned policies. While fe have taken such decisive steps, the majority indicated that they had had difficulty in selling to service station operators under these conditions. Some stated that they considered that they were preclude from selling to certain service station dealers. Many, including son of those with agreements with principal distributors felt that their sales to service station operators would be higher if the oil companies did not follow these policies.

The following information, drawn from the returns of the wholesalers, is concerned particularly with the large principal distributors who have well developed exclusive full-line forcing and directed buying policies for the handling of automotive products by their service station dealers and who have extensive service station networks. The wholesalers regard these policies as inimical to their interests. The following principal distributors were cited by the wholesalers as having market access agreements either with a single wholesaler or with a few preferred wholesalers: Shell, Canadian Oil, Canadian Petrofina, Texaco Canada, Supertest, Reliance, Regent, B.P., North Star, Royalite, Home, Standard, anc Anglo-American. In this regard, it was pointed out that B.A. also belonged to this group before the Company embarked on a program o distributing its own and certain manufacturers' branded commodities In some areas, the replies alleged that B.A. still has agreements with certain wholesalers. The following companies were cited by the wholesalers as being distributors of their own branded goods: Imperial, Sunoco, City Service, B.A., Irving, Shell, Home, Standa and Texaco Canada. Wholesalers cited the following oil companies as distributors themselves of specific manufacturers' branded commodities: Imperial, Champlain, B.A., Shell, Texaco Canada, B.P., Canadian Petrofina, Sunoco, Home, Standard, Royalite, Cities Service and Canadian Oil. Frequently this was with referenc to tires and tubes and batteries. There is some question whether wholesalers clearly distinguish between a situation where a market access agreement provides a company such as Firestone with access to service station dealers and one where the principal distributor itself distributes the Firestone branded products. It is apparent that some principal distributors have been gradually establishing their

wn brands of fast moving products while retaining agreements with ertain wholesalers for the supply of other automotive products. In hese circumstances, some wholesalers have regarded themselves not s being entirely precluded from selling to service station dealers ut as being precluded from selling the particular commodities oming under the oil company's own distribution program. While ifficulty was experienced by some wholesalers for example in elling products in the "Atlas" branded line to Imperial dealers, there vas not generally much difficulty in selling the more limited number f goods not distributed in the "Atlas" line.

The following quotations from the returns are epresentative of opinions and views expressed by the wholesalers. Many of these quotations express criticism of principal distributors' olicies and concern for the future. Such criticism comes both rom wholesalers without market access agreements and from those vith agreements. In a number of instances reasons are given why ome wholesalers have entered such agreements or why they would onsider doing so. Repetition of particular points of view has been voided where possible. At the end of the quotations there is a list f those wholesalers who expressed opinions relevant to the inquiry ut which are not included in this representative selection.

British Columbia Companies

1. C. R. Fortin & Son Ltd.:

> ". . . We are interested in this trend because it has a definite effect on our business, a very disappointing effect. It limits our possibilities to some extent now and if it continues to grow could ruin them.
>
> You can understand our interest for the a/m [sic: presumably means 'above-mentioned'] reasons but there are others that are possibly more important to the general public which no doubt you are aware of. Restrictive or directive buying of any type in the long run is not to the buyers advantage. The man on the street will have a smaller choice of products to choose from once the service station operator loses his freedom to buy where and as he chooses. It paves the way for the seller of inferior products to get his merchandise on the market. The wholesaler who finds he has been forced out of a market has to obtain business somewhere so takes on second line products that permit him to offer the service station operator an abnormal margin. This is the only way he can make a sale. These products are then sold in an under the counter manner.

This is not something that might happen; it is something that is happening.

The more fingers in a pie the more costly it becomes. Directive buying adds fingers. These fingers do not help the service station operator which brings his charges generally higher."

(Exhibit G 53)

2. Whalley Automotive Limited:

"Our business consists mainly of Machine Shop repairs, and selling the leading lines of automotive parts and accessories. Our customers are primarily service station operators.

During the past few years, our business has expanded to a point where we are competing in a minor way with the major oil companies. However, under the T. B. A. system used by the major oil companies, our expansion has been stifled to such an extent that we are finding it increasingly difficult to compete. In my opinion, the reasons for this are as follows:

(a) Extended credit privileges to gas station operators, together with the volume rebate to the operator at the year-end.
(b) Large quantity purchases by the oil companies from the factory at discounts not available to the small jobbers.
(c) The instructions given to station operators by some oil companies whereby they are to buy certain brands from certain specified jobbers.
(d) Station operators are given inducements in return for their co-operation, i.e., larger and newer gas stations. By the same token, they are threatened with increased rent if they do not co-operate. It has been brought to my attention that credit card privileges are restricted to certain specified merchandise in some case

In summary I would reiterate that service station operators are our main source of business. The unfair practic of the major oil companies, as mentioned herein and in Paragraph 10 (a) of your questionnaire are having a very definite adverse effect on my Company's day-to-day business, and with our plans for future expansion."

(Exhibit G 57)

3. Whitaker & Revercombe Limited

In answer to question 10 (a):

"We have not been precluded from selling anything to any oil company, so far as casual sales (those where a service station operator has an immediate sale for our goods) are concerned, although pressure is brought to bear not to buy from us.

We have been precluded from selling several lines of merchandise where such would be put in stock, on display, etc.

. . .

Verbal pressure is certainly brought to bear on Lessees of oil stations, who do not comply in every respect with regard to the "preferred" sources of supply, of which we are not one, excepting only as to Exide Batteries, mentioned previously."

In answer to question 10 (b):

"We have been offered similar preferred supplier agreements, in the past -- once by . . . [a principal distributor] -- (subsequently withdrawn, the reason we did not service the entire province, only Vancouver Island) whereby we reported all TBA sales to their controlled (leased) Outlets, and we would pay commissions to the Oil Company of from six to eight percent on various items.

One of the inducements offered by . . . [the principal distributor] to persuade us to enter into the agreement was that they would bring pressure to bear on their operators to purchase all their other needs not classed as TBA, such as parts, thereby increasing our total volume and presumably recovering some of the profit given them.

We have decided to have no part in such agreements, and have not since been approached by any oil company . . ."

In general:

"The Service Station, we feel, is rapidly growing to be one of our largest single type of sales and revenue sources, and we view with considerable concern the trend toward Oil Company agreements between wholesalers, and between manufacturers.

If we take the Oil Company agreement, we lose considerable profit. If the manufacturer takes the Oil Company, we lose a customer. Either way it is a tough battle, and may be the reason so many wholesalers are going retail, for the extra profits on the retail sales, to make ends meet. This is nearly impossible to do in the smaller cities."

From a second letter:

"If we may, we would like to add the further comment:-
The day after we mailed our letter to you, a customer of ours, . . . [a service station operator], of this city, who leases and operates two . . . [the principal distributor] Service Stations, came in and told the writer he had been ordered not to purchase anything from us, and that he was to deny our salesman access to his premises, -- 'or else.'

Presumably the 'or else' would be cancellation of his contract (photostat copy of which is attached) although it was not specifically spelled out."

(Exhibit D 4)

4. McLennan, McFeeley & Prior Limited

In answer to question 10 (a):

"We cannot truthfully say that we are precluded from selling to Groups of Retail Gasoline Service Stations, but owing to the fact that the available business that we can obtain is practically nil, we no longer wish to call on them. We will sell them at regular wholesale prices, if they wish to contact us by telephone or call at our Warehouses, but we can not afford to give them the services of an outside salesman."

(Exhibit D 10)

5. Black Bros. Ltd.

"Our salesmen no longer call on gasoline Service Stations unless they are independently owned by the operator. For instance our only customers for anti-freeze are fleet owners as every oil company has its own branded line of anti-freeze which their stations must sell. The market which we once enjoyed in such items as fan belts, radiator hose, lamp bulbs, spark plugs and most automotive chemicals is no longer available to us."

(Exhibit D 30)

Mitchell Auto Parts Ltd.

"THE ARRANGEMENTS OIL COMPANIES MAKE WITH THE LARGER WHOLESALE HOUSES ARE ONE OF THE BIGGEST DISADVANTAGES UNDER WHICH WE OPERATE. THEY TAKE AWAY MANY THOUSANDS OF DOLLARS OF BUSINESS FROM US EACH YEAR AND PLACE IT IN THE HANDS OF LARGE COMPANIES. THIS BUSINESS THEY DO NOTHING TO DESERVE...AND IN OUR OPINION DO NOT GIVE ADEQUATE SERVICE FOR THE VOLUME OF BUSINESS PLACED IN THEIR HANDS

. . . WE HAVE MANY CASES MENTIONED TO US OF THE OIL COMPANY BRINGING IN A WHOLESALE COMPANY SALESMAN AND TELLING HIM THAT THEY WANT THIS COMPANY TO SUPPLY THEIR ACCESSORIES ETC. LAST FALL WE HAD AN OPERATOR PUT IN A STOCK OF OUR FILTERS. THE OIL COMPANY AND . . . [a large wholesaler's] REPRESENTATIVES CALLED AND MADE HIM CHANGE TO THEIR BRAND...WIX FILTERS. THIS SORT OF THING WE MUST CONTEND WITH PRACTICALLY EVERY DAY OF THE YEAR.

THE ENCLOSED LETTER IS UNSOLICITED FROM AN OPERATOR OF A . . . [principal distributor's] STATION. WE MENTIONED THE BRIEF WE WERE PREPARING AND HE ASKED TO HAVE HIS LETTER INCLUDED...FOR YOUR INFORMATION.

. . .

FROM THE ENCLOSED LETTER, WE BELIEVE THE THOUGHT HE WANTS TO EXTEND TO YOU...IS THAT THE GENERAL LEVEL OF PRICES IS RAISED THROUGH THESE AGREEMENTS. IN OTHER WORDS....THEY ARE ALL BIG COMPANIES...AND CAN CONTROL THE PRICES TO THE EXTENT THAT THE MANUFACTURER MUST KEEP HIS MARK UP TO THE EXTENT THAT IT INCLUDES THE OIL CO. REBATE. THIS IN TURN IS PASSED ALONG AND MUST BE PAID BY THE CONSUMER FINALLY."

From letter referred to in above extract:

". . . [a principal distributor] has never told me to patronize any one wholesaler. However, they have been quite truthful in explaining the 10% override to me thus:- 'Because the automotive suppliers do not have retail outlets of their own, they are glad to share the expense of our stations in

which their products are sold. Each month, 10% of the value of my purchases is paid by the supplier to the oil company. This money is entered on my stations profitability form, together with my rent and the profit from the sales of . . . [the principal distributor] products. This is compared regularly with the expenses of my station, and if expenses stay continually higher than income, then my monthly rental might have to be adjusted accordingly.

With this in mind, faced with buying from other sources, I have often considered my rental above the fair and deserved distribution of my purchases. By deserved I mean that your service and products leave little to be desired, and I regret not buying more from you in appreciation. I have only bought elsewhere than Taylor, Pearson and Carson and Goodyear Tire and Firestone Tire for the following reasons:-

1) Better Quality Merchandise.
2) Items not sold by 'overrider'.
3) Overriders' prices higher for the same quality.
4) Better service on supply, exchange, repairs.

I must say that the overriders' prices and service have been competitive, but I find that my cost of sales is 2% higher than the U.S.A. national average for stations of my size, and I wonder whether a similar arrangement of override does not exist between the overrider and the manufacturer. By this I mean an unauthorized supplier may be paying more at the factory level to protect the overrider at the wholesale level.

A survey of service stations in Spokane, Wash, by me reveals that my brother Lessees in that city are free to deal with 22 suppliers.

The competitive attitude of the suppliers is a joy for a buyer to behold. My fellow operator enjoys better discounts than I do and he is able to pass this saving on to the public.

As an example, I wish to cite a popular oil filter element.

ELEMENT	RETAIL KELOWNA(SIX STATIONS)	Wholesale
P.C. 1 K.	$2.25	lots of 12- $1.20
ELEMENT	RETAIL Spokane (Six Stations)	Wholesale
P. C. 1 K.	$2.00	lots of 12- $0.61 3

The Spokane operator enjoys a discount of 'less 50%, less 30%, less 10%, and a further 2% for payment on or before the 10th of the following month. I have shown both prices less the 2% for comparison.

This discount in Spokane is applicable to most of his supplies, except tires, and I observed that he installed mufflers, tail pipes, shock absorbers, rear view fender mirrors and other small accessory items free of labor charge, which charge I find essential to the successful operation of my business. The suppliers told me that they bought direct from the factory and were able to supply at these discounts without loss of profit to themselves.

With these facts in mind, I have often wondered whether I would be better situated financially with extra rent and more competitive sources of supply."

(Exhibit D 34)

'. R. Angus Limited

In reply to question 10 (a):

". . . The restriction on battery purchases has effectually eliminated us as a supplier. Batteries were at one time one of our major lines.

On a recent occasion, the . . . [principal distributor's] representative insisted that a retail operator remove from display all merchandise sold to him by this Company and replace it with . . . [distributor] merchandise or . . . [distributor's] sponsored merchandise. This is a common complaint of the retail service station operators who frequently show a marked preference for material supplied from sources other than the Oil Companies, but they are afraid to jeopardise their leases and in effect their whole business for the sake of certain parts and accessories."

In reply to question 10 (b):

"No. Without Province-wide distribution on the part of any Wholesaler this would not be possible nor is it feasible for the smaller Wholesalers to pay the commission to an Oil Company for the privilege of obtaining business and at the same time absorb freight and delivery charges to outlets not in their own immediate area."

In reply to question 11 and general comments:

"The Company does sell through retail Gasoline Service Stations, without an agreement to pay overriding commission but such sales are made in the face of continued opposition fro the Oil Companies and with the exception of car parts (as opposed to accessories, filter elements, lamp bulbs, fan belts and such items), the sales are very small in relation to the overall demand. We have no way of estimating these sales and as our representatives continually complain, they are ma in many cases 'via the back door'.

In general we would say that while not new, these restrictive practices have increased during the last few years and it has become more and more difficult for Wholesalers to sell current, fast-moving merchandise through the retail Service Station outlet. There is little or no difficulty in selling parts for older vehicles or parts which are becoming obsolescent as the Oil Companies show no interest whatsoever in anything that is not fast moving. The point to be remembe is that we, as Wholesalers, know that we fill a very definite need both from the point of view of local stocks for all types o vehicles and because we provide stocks which are competitive both in quality and in price with those either insisted upon or sponsored by the various Oil Companies. This is very real protection both for the retail Service station outlets and the motoring public. All that we ask is that we be given free access to the retail Service Station outlets so that we can sell our products on the basis of their quality and price."

(Exhibit D 36)

8. Cecil Clark Limited

". . . We have been forced to seek our business from other accounts even though our products were desired by dealers who wanted to do business with us.

. . .

In our opinion retail prices could be lowered if these kickback discounts were eliminated.

. . .

Some jobbers who have had these agreements have used the extra volume of business to pressure manufacturers to give them an extra discount, over and above that extended to smaller jobbers, and they in turn gave it to the oil companies.

(Exhibit D 38)

. Carrington Cairns Supply Limited

"We sell nearly exclusively to the service station trade and we are finding to compete in this phase of business we are having to spend much more than we should in special delivery etc., to get our fair share of this market. . . .

. . .

We have also found it exceptionally hard to keep salesmen as we pay a guarantee plus commission and some of the men we have had were good salesmen but it just beat them selling against the oil company pressure. It is only the exceptionally good man that can sell against such odds. Therefore I feel that it is detrimental to the good of business in general to allow such a practice to continue."

(Exhibit D 90)

lberta Companies

0. Continental Auto Supply Associate

"The remarks I would like to state, are that the small independent jobber, such as myself, find it more and more difficult to do business when service station operator's tell us they must do their business with a certain jobber as this wholesaler will give a rebate to the oil company. The oil company representative calls and looks through the operator's books and invoices to make sure he is buying and how much. If the service station operator does not agree on this they are asked to give up the station. It seems a gestapo operation is going on, scaring the small service station man in to doing exactly what he is told and how to run his business when actually he is renting the business from a major oil company. . . ."

(Exhibit G 66)

1. Motor Car Supply Company of Canada Limited

"Despite Oil Company policy, however, there is no question that retail Service Stations are very important to the Automotive Wholesaler and they are very important to the consuming public. Their importance to the Automotive Wholesaler, of course, decreases as the Oil Companies deal directly with factories and handle their own brand line merchandise to be

sold through their respective Service Station outlets. They become less important, also, to specific wholesalers if they have not got agreements with Oil Companies and the consent of the Oil Companies for those specific wholesalers to do business with their Stations.

You will observe in our reply to your questionnaire that we use the phrase 'Oil Company controlled outlets' . As you are probably aware, controlled outlet is one in which the Oil Company has a financial interest - either by outright ownership of the Station and all its equipment, or by reason of the advance of considerable sums of money. We understand that the Oil Companies take the attitude with the lessees of these controlled outlets that the rent is lower to the lessee by reason of the agreements for overriding commissions with suppliers.

. . . The trouble is that more and more of the Oil Companies are establishing deals directly with the manufacturers and the wholesaler finds himself in the position that if he does not go into a deal with the Oil Company, the Oil Company will either go direct to the manufacturer or find a wholesaler who will make a deal.

While on economic matters it is difficult to speculate on the results of one course or another. I, personally, have some idea that if entry into 'controlled Service Station outlets' was unrestricted, the Service Station lessees and the consuming public might benefit by lower prices.

With regard to the second request for an opinion in the same paragraph of your letter - I should think that the practice of special arrangements between supplying Oil Companies and the Automotive suppliers is quite strong and seems to be getting stronger, but on the other hand our own experience - where we have an arrangement with Oil Companies - does not seem to indicate that our Company secures all of the business available by any means.

Finally, we feel that the whole matter resolves itself into the desirability of having every man, who is operating a business, (whether it's a lessee or in any other capacity than that of actual employee) being allowed to purchase where he gets the best service and where he wants to deal."

(Exhibit D 2)

2. Universal Auto Supply

"As a smaller jobber, it is impossible for us to buck against the present set-up. It is not a question where service stations should purchase their stock, but we find that Oil Companies dictate to them where they have to buy it. Not only that, but we have found cases where the Oil Co. actually checked the invoices to see if service stations bought anything outside of where they are allowed to. We have customers who would like to buy from us but under the present set-up they cannot take the chance."

(Exhibit D 14)

13. T. H. Peacock Limited

"We would like to point out that your mention of an override commission is not correct in our case, as the commission we have paid Shell Oil Company has been a commission for sales effort we have received from their organization in setting up new service station outlets, and the continued maintenance of these outlets."

(Exhibit D 35)

14. Pat's Auto Supply Company Limited

"Since then [after 1956] we have dropped the handling of tires and oil and have gone into various automotive necessity, accessories and equipment lines. Goodyear Tire Company pays override on Goodyear products we sell to Royalite, Shell, North Star and B.A. accounts.

. . .

The one troubling factor is if the Government does make it illegal [sic] for oil companies etc. to have tie-ins, be paid override etc., would they then establish their own automotive divisions, therefore cutting out your private automotive wholesalers?"

(Exhibit D 54)

15. Hutton's Limited

"In answering paragraph 10, first off we would like to acknowledge the fact that in some cases our salesmen are told the reason the operator cannot buy from Hutton's Limited is because of the fact that we are not on their oil company's

approved jobber list, which we feel is just a polite way of saying he does not want to buy from us or does not need anything. However, we are also told by other operators that they must limit their purchases with us because the operator for many reasons must make the bulk of his purchases throug an approved jobber of the oil company. In some cases we a told that a representative of the particular oil company . . . [a principal distributor] goes through all the lessee operator' invoices from all jobbers, not only the approved jobber's, to check on the operator's purchases.

To answer sub paragraphs II and III under paragraph 10 (A), it is most difficult to sell an operator comparable products which are not the same brand as those sold or promoted by the oil company. Our salesmen are told that if they (the operators) purchase these competing products from Hutton's Limited it would mean they must hide them under their counter or some other place."

(Exhibit D 55)

6. Taylor, Pearson & Carson (Canada) Limited

". . . Up until the year 1953 our operations were confined to the Province of Alberta with the exception of Dawson Creek B.C. and Cranbrook, B.C., and we had no arrangements whatever for commission payments to any oil companies and we believed that such arrangements were not necessary.

In 1953 we purchased the business of . . . [wholesaler] and inherited deals with several oil companies. Owing to the large volume of tire business done by that Company which seemed to tie in with the oil company arrangements, we carried on in B. C. and added some oil company contracts to our Alberta operations to round out our arrangements with the oil companies. Since that time we have reduced the numb of oil companies we were doing business with and discontinued our arrangements with Home Oil Co. and British American Oil Co.

In our opinion the oil company commission arrangements are not in the public interest . . ."

(Exhibit D 114)

17. Loveseth Limited

"Our particular business is basically one of motor tune up, carburetor and electrical service and realizing the potential in these service stations we have concentrated a good deal of our effort through extensive mechanic training programs and education of the service station mechanics.

At present I would say that approximately 40% of our overall business is done with the service station trade. This figure may be somewhat higher than the national average but I believe this is the result of our type of program.

. . .

We, as you already may have gathered, have never been a party to any arrangements between ourselves and oil companies. We have as a result felt a good deal of the impact of these special arrangements."

(Exhibit D 120)

18. Duncan Automotive Limited

In answer to question 10:

"While we are able to sell to some extent all retail gasolene stations there is definite pressure by oil companies on lessee dealers in particular to buy from so called T.B.A. suppliers who do give rebates to the oil companies. In many instances lessee dealers must keep competitive products hidden from oil company representatives under threat of having their lease cancelled for buying from non-authorized suppliers.

. . . [four principal distributors named]

It may be noted that oil companies carrying their own competitive products in their own warehouse are not as strict regarding competitive products as those oil companies who have so called T.B.A. agreements with rebates coming to them from Automotive Wholesalers."

(Exhibit D 125)

Saskatchewan Companies

19. Davies Electric Company Limited

"Under the present condition, whether the standards of merchandise is good or bad, the service station operator under an agreement of lease is forced to buy from the Oil Company or jobber who has an arrangement with the Oil Company, any merchandise including automotive accessories and repair parts. Also, in most cases, includes garage equipment even for their own use in the service station at a price fixed by the Oil Company or supplying Jobber regardless of what the merchandise could be bought for on a competitive market."

(Exhibit G 11)

20. City Auto Parts

". . . We do have considerable difficulty selling service stations as the operators are unable to buy from us as they have an agreement with the Oil Co. namely . . . [three principal distributors]. The Oil Co. men check their purchase invoices to see where they purchase from each month."

(Exhibit G 56)

21. Bowman Brothers Limited

". . . Our analysis system does not provide us with the information as to sales to straight service stations, consequently we are unable to supply answers in detail in Question 8, however, we would estimate that 15 to 20% of our sales are through straight service station outlets, and that this percentage would be increasing.

. . .

Note - Our company has had TBA arrangements with varying numbers of oil companies since 1950. It is our opinion that the type of arrangement that we have had with major oil companies is relatively unimportant. We do not think that it materially improves our sales position, nor do we think that it particularly hinders it. As well, we do not believe that it is any particular concer to a competitive wholesaler. We do believe though that sales can be affected very materially when major oil companies market their own brand of product. It is interesting to note that while our sales to oil companies

of Accessories increased from . . . in 1955 to . . . in 1957 and that our company sales on these items increased from . . . to . . .; that in 1958 our sales of Accessories to oil companies dropped $54, 000 & when we cancelled our agreement with British American Oil Company, that our overall sales increased on Accessory Items from . . . to . . . . As well, during the period of 1955 to 1958 our sales of batteries to oil companies dropped materially, as well as did our overall battery sales in the period of 1955 to 1957, however, in 1958, Willard placed us in a more competitive position with other batteries on the market , and we were able to improve our sales from . . . to . . .

. . .

In 1958, we cancelled our agreements with British American Oil Co., and with Canadian Oil Company. We believe that if we wanted to, we could have continued such arrangements with them, however, it is our opinion that such arrangements do little to influence our sales volume, and as the oil companies are in the process of increasing the range of items they will market under their own private brand, we could not see any point in continuing such arrangements.

. . .

We believe that the greatest threat to the sales opportunity of independent wholesalers, and in turn to the manufacturers whose products they sell, are the major oil companies and their TBA sales programs which compel the operators of their controlled outlets (which are increasing quite rapidly) to sell the private label brand which the oil company supplies."

(Exhibit D 22)

22. McKenzie Auto Equipment Limited:

"For instance, everyone knows that all the ethylene glycol antifreeze comes out of two plants in Canada and earlier out of one plant. We have had many instances where we were prohibited from selling our antifreeze to controlled outlets at lower prices than what the dealer was forced to pay from the supplier who controlled him, and yet the two antifreezes were identical, and to our definite knowledge came out of the same plant. Since this undoubtedly increased the price of antifreeze to the consumer, it is just one instance of how

controlled outlets cost consumers money.

There has been some changes made in controlling outlets since your investigation began, and no doubt the mere fact that an investigation was being made was the cause. For instance, we understand that Bowman Bros. in this province have discontinued recently their kickback arrangement with British American and other oil companies. It will be understood this is just an understanding on our part.

However, this will not alleviate the situation if these oil companies obtain lines of their own to distribute, (which of course, is quite all right), and then intimidate their outlets into buying their supplies from the oil companies even at non competitive prices, (which we do not think is all right). The number of independent service stations in Saskatchewan is relatively minute, that is they are all affiliated with one major oil company or another, so the disappearance of this market is of great concern to us.

Of just as great concern to us is the control the major car manufacturers employ over his car dealers, and here again the big stick is in evidence. Naturally a major car dealer whose whole investment is tied up with a car agency listens with care when he is told the manufacturer expects his parts business as part of the car agency. However, this phase of controlled competition does not appear to be part of this investigation so we will not belabor it.

The service station outlets are a very very important outlet to the automotive jobber as a channel of distribution to the automotive wholesaler. I would say their share of the market is increasing, and because we are being squeezed out of it does not minimize the importance this segment of distribution is to us."

(Exhibit D 112)

Manitoba Companies

23. D. Ackland & Son Limited

" . . . We have in the last 3 years gradually withdrawn from the Service Stn field. We have found them more & more difficult to deal with on account of the directives & pressure from the parent Oil Company.

We have on occasion sold to the Lessee and at a later date the Oil Cos ordered the Lessee to return the mdse.to us.

The present situation is most unsatisfactory and is not in the best interests of the Consumer through lack of opportunity to buy different brands and to the Lessee because he cannot buy on an open market."

(Exhibit D 87)

24. Gillis & Warren Limited

A series of extracts from one reply:

"The prevalence of arrangements between oil companies and suppliers of automotive products has increased considerably during the past few years, and in fact has almost paralleled the rise of importance of the service station in the automotive aftermarket. However, there has been, during this period, a change in the method of distribution. At one time, our Company had agreements in force with three oil companies, today, we have but one. During this period, the oil companies have gradually moved into the distribution field themselves. Thus the flow of goods has shifted from distribution through the wholesaler to distribution through the oil company. Distribution through the oil company has been accomplished in two ways, one, the oil company supplies a wide range of products under their own brand name or secondly, they supply nationally known brands which they buy from manufacturers and distribute to their stations.

You have requested my opinion as to the importance in the trade of these types of arrangements. May I answer this in relation to the three types of distribution.
First - Distribution through a wholesaler. As we have such an arrangement with an oil company, I am in a position to see the benefits. Briefly, such an arrangement gives the service station operator, consequently the consuming public, ready access to all the goods and services required in the automotive aftermarket. Other wholesale establishments are not precluded from selling such service stations, and proof of this is the number of competitive products being stocked in service stations operated by the oil companies with which we have an agreement.

Second - Distribution of nationally known brands through an oil company. In my opinion, this type of distribution is harmful to the service station operator and to the wholesaler, as the oil company in most cases handles only a very limited range of products, and in some instances only the fastest moving items in any one line. Therefore, the wholesaler must be depended upon to handle many other lines of more

technical nature, lines more difficult to handle and warehouse, and items of less demand.

Third - Distribution of a brand name line of products through an oil company. In my view this is the most harmful type of distribution in effect today. Harmful from the point of view of the wholesaler who finds it virtually impossible to make his merchandise available to the consuming public through these stations. Harmful to the operator, who, apparently must stock and sell the brand name line despite advantages which may accrue from handling other brands, and finally harmful to the consuming public who must buy the products blindfolded, without knowledge of who the manufacturer is or the degree of quality in the product itself."

"Since we do have an agreement in force at present, and have had agreements with other oil companies in the past, I have replied to this question [10 (a) (i) of the questionnaire, Appendix IV] in the negative. Besides the oil company agreements, however, I have answered in the negative, for the reason that we know other wholesalers do sell merchandise in stations operated by oil companies, with whom we have an agreement. I would, therefore, suggest that although an agreement is in force, and selling such a service station is difficult, that other wholesalers do, in fact, sell to such outlets, and are therefore, not precluded from selling such outlets."

"I have replied to this question [10 (a) (ii) of the questionnaire, Appendix IV] in the affirmative. Some major oil companies supply a wide range of products under their own brand name, and in these stations, it is almost impossible to sell lines competitive to the oil company branded name. It is my view, that in such cases, wholesalers are precluded from selling these service stations, lines competitive with the branded line supplied by the oil company. We do, however, succeed in selling them merchandise not sold by the oil company under their branded name."

"The practice of an oil company supplying specified manufacturers products is relatively new in Manitoba and therefore, somewhat difficult to assess. [In reply to question 10 (a) (iii) of the questionnaire, Appendix IV] However, it appears so far that although selling is more difficult, and volume has suffered, that we are not precluded from selling this type of account."

"Possibly, [in reply to question 10 (b) of the questionnaire, Appendix IV] British American Oil discontinued the T.B.A. agreement when they entered the accessory field, and it is doubtful if they would be interested in renewing. We cancelled the Canadian Oil Company agreement when it became apparent that they were going to handle some of the more easily merchandised items. At that time, they indicated that they would like to continue, however, we declined in view of the fact that we would be suppliers on some lines, and competitors on others."

(Exhibit D 107)

5. J. A. Keddy Limited

"First we will endeavour to give you the information requested in the fourth paragraph of your letter. We are enclosing a photo static copy of statistics compiled in the United States in which you will note that the average jobber gets 24.7% of his volume from gasoline service stations. That figure would not apply in our territory due to the situation which you have under investigation.

One Oil Company has an agreement with a rubber Company to supply all automotive accessories to their lessees. We were not aware of this until after receiving an order on November 17th, 1958 from a . . . [principal distributor's] lessee requesting a quantity of merchandise. Our contact with the lessee and the order was received prior to the lessee taking over the new service station. We were advised on December 1 st by the lessee to cancel this order as he had been advised by the Oil Company that he must buy this merchandise from . . . [a specified supplier - a larger manufacturer and wholesaler]. . . .

We are pleased to report that two of the three Oil Companies who had agreements with an automotive wholesaler have discontinued this agreement effective December 31st, 1958. These two Oil Companies are . . . [two principal distributors named] and we are pleased to advise that we are now able to contact and sell the operators of the service stations controlled by these two companies. The Oil Company who is continuing their agreement with an automotive wholesaler is . . . [a principal distributor]. Their agreement with this automotive wholesaler is such that they insist that service station lessee's and mortgage controlled accounts are required to purchase all their requirements from this one wholesaler and in return the Oil Company will receive a rebate on these purchases. The arrangement is policed by Oil

Company representatives who go through the retailers purchase invoices to make certain that he is staying in line."

(Exhibit D 119)

Ontario Companies

26. Lyle Cook Wholesale Automotive Parts

"I was also hooked up with . . . [a principal distributor]. They came in at regular intervals once a month, audited my books to see if they compared with their findings from their outlets. We had to pay them 6% on everything we sold to the service station they controlled. This went along for a few months but soon I got tired of paying them commission on things they never sold anyway and finally told them the things I would pay it on and the things I would not. In a couple of months they cancelled my agreement.

With the . . . [a battery company for whom the writer was at one time a distributor], I had to send in a report every month of the batteries sold, to whom and the price. It seemed to me that both companies were dictating their policies to me and the longer they were in effect the tougher they seem to get. Naturally they would be when I did not see eye to eye with their policies.

. . .

Now my own personal opinion is it would be a good thing to have these practises stopped for the following reasons.

1. Real large companies such as ourselves with several branches, have a lot more to gain than we have. When I say we I mean any smaller wholesaler because the territory is much smaller and you get business on your merits not concessions or conditions.

The farther you get away from your base the more easier it is for the firms connected with such a scheme to get business because the oil firms representatives are also knocking at the customers door keeping him reminded of his agreement with them. That agreement says he is connected with a certain wholesale house.

The most detrimental affect it has also is the prepaying and accepting reverse telephone calls. I am told by our salesmen

that . . . [a wholesaler with agreements and located in another town] have been accepting reverse telephone calls and prepaying most deliveries. This has to be done in order to compete with local establishments who carry the same merchandise as . . . [name of competing wholesaler] .

I might say that this has been discussed with the principals involved and they say well we send a truck out twice a week on deliveries. I will not argue that point but what about the days they do not deliver?"

(Exhibit D 9)

. Bourk's Ignition Limited

"Oil Companies with which we do not have any agreement but who [presumably means 'with whom we'] enjoy a large volume of business from their outlets are Imperial Oil, Shell Oil Company, Cities Service, Petrofina, Sun Oil, Canadian Oil, British Petroleum, McColl Frontenac and British American. I mention British American here because we have had no contract with this Company since January of 1958. Better than 90% of all sales made to Service Stations were made to Oil Company outlets with which we do not have any agreement.

We have found in our particular case that the major benefits of having an agreement as you refer to with an Oil Company is that you are often asked to a lessee meeting where you may advertise your products to a number of dealers at the same time, but in order to get the business from those dealers you still must give service and be competitive in prices as there is usually multiple distribution of most products in all areas, and if you are not on your toes you will get no business even though you have an agreement with the Oil Company."

(Exhibit D 21)

. Nicol & Johnson Auto Electric Limited

"You will notice from our report that the business we do with service stations is small compared to our total sales, although there are many more service stations in our area than independent garages and car dealers. The main reason is we are not tied in with any Oil Company to give them a percentage of our sales in kick backs to be able to do business with their lessee, also of course the Oil Company forcing the lessee to buy all their products and accessories from them.

I believe this practice is a definite detriment to the motoring public because:

1. The lessee does not have the opportunity to buy in a competitive market, therefore cannot sell his customer a product of his own choosing at a price that is fair to all.

2. The lessee quite often does not have his source of supply locally and the customer has to wait to get his car repaired.

3. The lessee quite often has to wait for his goods, also paying transportation costs which brings the price to the consumer higher or the profit to the lessee lower."

(Exhibit D 40)

29. Cliff Towle Limited

"For the past few years, our business has been greatly handicapped by the restricted or tied sales applying to the majority of lessee gasoline stations and the practice seems to be growing.

On a number of occasions, we have made a sale and delivered the merchandise to the lessee gas station, only to have it returned to us, upon the insistence of the oil company representative."

(Exhibit D 48)

30. Ideal Supply Company Limited

"Oil company deals are I believe, not preferred by any automotive parts wholesaler but are considered by most to be a necessary evil.

The main reason we have taken on the two deals we now have is to discourage the oil companies from stocking and promoting their own so called T.B.A. - (Tires, Batteries and Accessories), program that would definitely have a detrimental effect on our sales to these outlets however, we call on all service stations in this area and although we find there are certain lines we cannot sell due to a hook up between the oil company and another jobber, we have never found where there is really any teeth in the arrangement but rather a mutual understanding of co-operation between them.

This type of service station operator [where supplying oil company has an agreement with an automotive wholesaler] never hesitates to buy from the nearest wholesaler if he needs the goods for immediate requirements, or if his oil company preferred jobber does not handle the item he requires."

(Exhibit D 49)

. Towns Automotive Supply

"However, service stations have played quite a part in increasing the sales until recently and the information you have requested is rather timely since we have been advised by the operators of several service stations, with whom we were enjoying a respectable volume, that they are no longer in a position to do further business with us. These stations are all representing the same major Oil Company. A policy has been adopted by the oi l company that all automotive parts, accessories, or such commodities that might be sold or used by these stations, must be purchased through a certain 'Specified Wholesale Jobber'. This jobber has undoubtedly entered into a contract where-by an 'overriding commission' will be paid to the oil company.

. . .

Perhaps some of the success we are enjoying can be attributed to the fact we can give good service to those accounts in our immediate locality, rather than have the service station operator wait for a delivery from the centre of the Metropolis. We endeavour to service an area of approximately five square miles only and thus feel that quality merchandi e, good service and a thorough understanding of the customers' requirements more than offset any 'overriding commission' or 'Pay-off' since the oil companies various stations benefit by the service we purvey.

. . .

In the case of the Lessee, who has naturally invested several thousand dollars, rules made by his oil company must apparently be adhered to - otherwise - it is evidently quite possible for a very uncomfortable situation to arise for him should he not purchase from so-called authorized outlets and also refrain from displaying products which are not acceptable to his parent oil company policy.

In view of the present deal being instigated in our area by an oil company, in conjunction with a wholesale automotive

jobber, we could quite conceivably suffer a decrease in sales volume of approximately $40, 000.00. This sum of money represents a severe blow to the small wholesaler and therefore, to answer the fourth paragraph of your letter regarding how important the service station is to the jobber would represent a loss of about 30% of volume.

May I also add that the products some of the oil companies demand their service stations to sell are not always those that the operator or lessee would prefer to sell nor are they necessarily the brand some of the customers ask for, thus the potential buyer declines to purchase and takes his trade to an independant.

. . .

Furthermore may I add, these humble observations are based not only as a proprietor of a new and small business of only a little better than four years vintage but with a background of knowledge concerning automotive parts and merchandising extending back to the year of 1931."

(Exhibit D 57)

32. J. E. Willis Limited

"As an automotive wholesaler I have not felt as strongly on the matter of these sales to oil companies via a program of becoming an approved supplier through an individual oil company as have some of the other automotive wholesalers with whom we have from time to time been associated. Naturally we would prefer to have access to all these service stations on a free and open basis and we do not like to pay a 6% premium for any entre to certain locations in order to get this business. On the other hand, the oil companies do have a very large investment in these service stations and it seems natural that they will try by every possible means to make revenue out of the occupation of these premises by their lessees. We have never subscribed to any program at all that was in any sense exclusive. We did not wish to be part of a program whereby the occupants of the service stations were required to buy from one supplier simply because of oil company policy. We did however, want to have the support and encouragement of the oil company in approaching these people and with the help of their road men, the facilities which we were in a position to place at the disposal of their tenant was quite clearly indicated.

In our conversations with the executives of the oil companies it has been indicated that perhaps the method presently in use is from our standpoint the lesser of several evils. If we do not have access even under the approved supplier plan to the major oil companies outlets and if they cannot derive some revenue from the TBA sales which are made on their premises, there seems every likelihood that almost all the major oil companies will follow the lead of the Imperial Oil Company and have a special brand of supplies made and distributed throughout their stations almost exclusively. . . . When this happens, we are automatically barred as automotive wholesalers from sale of our products through the numerous outlets which oil company service stations provide.

As stated above, we would be very happy if there was no necessity to secure the permission of an oil company to actively canvass their service station operators. Since it would appear that this is more than we can expect, and since we experience considerable discouragement in trying to independently sell our supplies to the stations without the approval of the oil company concerned we are anxious to make as much use of the arrangement as we can. We would like to make it clear however, that this type of business is by no means a sinecure. Once we become one of the three, four or five approved suppliers we have a tremendous selling job to do in the case of each of the service station operators concerned. We have to sell him on our stock, our company policy, our extraordinarily good delivery service in a great metropolitan area, and on our competitive price structure and this is often no easy task. . . ."

(Exhibit D 58)

. Welch & Johnston Limited

"The public today are relying much more on the small service station where they know the operator and can get personal service, rather than through the large car dealer garages, where it is difficult to get the same information about the car. We believe the public is turning more and more to service station operators for the day to day maintenance of his car, and going to the larger garages and car dealers only for major repairs.

At the present time, practically all major oil company lessees, and private stations where the oil company holds a mortgage, are being directed to purchase the major part of their supplies either from the oil company, if they have their own distribution, or from a particular jobber where the oil

company has a hook-up arrangement. The hook-up arrangement would appear to be a matter of a jobber paying tribute to the oil company for permission to sell to his tenants. The tenant is restricted from buying on the open market throug[h] fear of losing his station, having his rent increased, and other pressures put on him if he doesn't cooperate with the landlord. Where the major oil companies distribute their own products the pressures are much the same.

While we are able to sell directly to the majority of service stations, it is because we represent the manufacturers of Original Equipment Specialized Service Parts, which are not always available through other jobbers. But we do feel that our sale of competitive merchandise products is greatly restricted due to the conditions stated above."

(Exhibit D 60)

In answer to Question 11:

"Yes, we have sold to some lessees of all oil companies mentioned above. These sales however are quite definitely restricted as to volume and the type of product such as ignition and carburetion parts which are specialized lines with us. Some sales are also made on the basis of our being conveniently located in relation to the service stations and the price at which we sell certain lines."

(Exhibit D 60)

34. Simplex Motor Parts Limited

"As an example, I have known of lessees who have purchased a nationally advertised brand of anti-freeze and either hid it on the premises, under a tarpaulin, or kept it at home in the basement, in order to service some customers who demand this particular brand. In other words these operators are not allowed to show or display brands in competition with the oil companies brands, although they may wish to do so.

10. (a) (iii).

There are oil companies who supply their outlets with well known brands of merchandise which the operator must purchase from the oil company. Although wholesalers like ourselves might handle these lines of merchandise we are again restricted from selling the lessee, as he is directed by the oil company to buy

these lines from them. It is an easy matter for the oil company to check on the lessees dollar volume of purchases on these lines and confront him with these figures if the lessee's volume is light in comparison with a like operation.

. . .

Any business that we now obtain from gasoline service stations is spasmodic. We sell only a small volume to a few stations of each oil company chain, due, we believe, to the fact that practically all gasoline service station outlets are committed to buy automotive products either from the oil company direct, or from designated franchised automotive suppliers. We have had instances where, when our truck was about to make a delivery to a service station, the lessee has hurried outside and asked our driver to make the delivery later, as the oil company inspector was on the premises and he did not wish him to see what was being delivered."

(Exhibit D 63)

5. Nelson and Rigby Limited

"You can readily see by the answered accompanying questionnaire that our sales to controlled company outlets does not amount to a very large percentage of fast moving parts such as anti-freeze, Spark plugs, Oil filter cartridges, wiper blades, batteries and chemicals.

The large percentage of our sales to these outlets now consists of mufflers, tail pipes, generators, voltage regulators, ignition parts, carburetor kits, brake linings, brake parts, etc. In other words, our basic bread and butter lines have been taken over by the oil companies. They are certainly not concerned with marketing any but the fast moving items."

(Exhibit D 64)

6. Downtown Auto Supply (Windsor) Ltd.

In reply to question 10 (a) (i):

". . . [two principal distributors cited]. We had one station operator who had agreed to replace all inventory over to our brand lines, but informed us that before this operation was completed, he had received a telephone call from the oil company depot, stating that he would not receive any more

repair work on their trucks, if he did not purchase all his materials from their represented jobber. We have also been contacted by telephone by another oil company, asking us to give a quotation on grease equipment to one of their dealer outlets in Harrow, Ontario, but we were instructed to quote the dealer net price to him, which would be approved by the oil company, and that we must take into consideration that they, the oil company, were to receive their 15% commission from this sale."

(Exhibit D 67)

37. Spooner Auto Supplies Ltd.

"When I say that these lessees are virtually forced, I refe to the unreasonable pressures applied to them by the oil companies in the following ways. (i) The first, and by far the most prevalent, way is the raise, or threaten to raise, the rent. Rents are usually based upon gallonage, but if the ratio of, and I shall now use a term which is generally applied to products sold by service stations other than gas and oil, T.B.A. (referring to tires, batteries and accessories) is below the accepted average, then the oil company assumes that the lessee has been buying elsewhere and threatens to raise the rent.

These threats are usually delivered, but never put in writing, by so-called oil company supervisors or representative who act as go betweens for the oil company to the lessee. These supervisors can make unreasonable demands upon the lessee in the way of cleanliness of the premises by insisting that some area be cleaned more often than is necessary, by controlling the selling price of the companies' oil and gas products by imposing strict credit restrictions on the lessee regarding goods purchased from the oil company or by insisting that the lessee carry a larger stock of oil company products tha is necessary. These threats are seldom made in a suggestive way, rather they are made forcefully and dictatorially and if the are not carried out then the lessee is either evicted (you might note that most oil companies only offer, at the most, a month to month lease with sometimes as little as 48 hours to vacate) or up goes the rent.

If a lessee is forced to purchase all of his supplies from either the oil company, or from a supplier from which the oil company has access to his purchases, then the oil company kno approximately what profit the lessee is making and is therefore in a position to point out, when it wished to raise the rent, that

the lessee is making so much money and can afford a raise in rent. This amounts to an invasion of privacy, as it puts the lessee at an immediate disadvantage. These are some of the reasons why this practice is detrimental to the gasoline retail outlets.

As to the effect upon the automotive wholesaler, it should be obvious that it tremendously restricts the potential sales field that he might wish to operate in. I have customers who would gladly give me business that now goes to the oil companies, except that he cannot because he dare not, for fear of reprisal by the oil company. I was in a service station once when an oil company supervisor told a lessee flatly that if he purchased a particular product from me, which I happened to be trying to sell to the lessee at the time, that he would order him to send it back. It happened to be a nationally advertised product which the lessee wanted but because the oil company no longer handled it, he didn't want the lessee to buy it.

The effect upon the consuming public at large is a little more obscure but nonetheless severe. The service station business has become to a large extent a fly-by-night affair indulged in by people unfamiliar with the automotive game. Because of the high rate of fatality in the service station business, that is the high incidence of stations changing hands or sitting vacant, the consuming public has come to look upon service stations as unreliable places to obtain their service. An unprofitable service station operation is a detriment to a neighbourhood because as the operator begins to lose money, he also loses interest, and fails to keep his station clean and offer proper service. Too, he is more liable to do shoddy work and charge exhorbitant rates. The consuming public cannot always buy a nationally advertised product because the service station does not handle the product because the oil company insists that he carry their product or else........"

(Exhibit D 69)

8. Ontario Auto Supply

"We have had only one tie-in for approximately six months with one Oil Company- Canadian Oil Co. Ltd., which we terminated.

We have been approached by the Reliance Oil Company, and turned them down as not being of any benefit to ourselves and also our customers who can benefit from any overriding discounts on our Sales to them.

We have two salesmen covering the area every week to check stock. Three Delivery Trucks to service our customers, and also night and Sunday Service if the need arises, which it does very often.

. . .

We carry a very heavy and representative stock of all requirements of these service stations, and also have carried, and am carrying these Operators on a credit basis over their rough times of the year.

The Oil Companies are encroaching more and more into our field of endeavour. Up to now they have picked out all the gravy business such as Spark Plugs, Oil Filters, Additives and Lubricants, Batteries etc. which do not entail service to the buying public who expect service and delivery from the service station operator who relies on the Jobber in the immediate area to give it to him. By service I mean delivery, carrying the necessary items, and carrying his credit where need be, so that he can make a decent living, without outside pressures except for his customers, the buying public."

(Exhibit D 71)

39. Russell, Willis & Crispo, Limited

"The average driver visits a service station twice a week. the Service Stations are the biggest outlets for Oil Filter Cartridges and another item is Mufflers which are inspected during greasing operations. Radiator Caps and Fan Belts are among other items which are subject to inspection by a smart operator and again many Service Stations are now employing qualified mechanics so that a good part of light repairs are now being done in Service Stations.

If the employment of qualified mechanics becomes general, these Wholesalers who do not have agreements will be at a disadvantage because many wholesalers at the moment are doing some shop work for Service Stations.

Another reason for the Wholesalers in the After-market, he carries or has facility for complete service whereas the Oil Companies who operate their own warehouses are interested in the popular and fast moving items and such lines that require technical knowledge or special equipment is not of any interest."

(Exhibit D 81)

Garage Supply (St. Catharines) Limited

"If the oil companies had to solicit business on the same terms as the wholesaler, that is, getting the business by giving service on small orders, I feel they would not find it profitable at all. However, if they are able to force the lessee to buy the bulk of his purchases from them they can rely on the local wholesaler to furnish him with small items, usually within 30 minutes, which the lessee may run out of before the oil company can supply. As a result we give all the expensive service and can get only a small fraction of the business.

I have known lessees to hide merchandise on their premises or in their trucks to supply their customers with a given product which their oil company forbids them to sell but which is asked for specifically by the lessees' customers, the consumer. We have even had merchandise returned to us for credit because the oil company representative found it on a lessees' property and made him return it."

(Exhibit D 82)

K-W Automotive Service Limited

"Relative to us having a TBA programme with . . . [two principal distributors named] please see copies of our agreements, which are attached. We would like to state that we stayed away from any such agreements for some years, and previous to our agreement with . . . [one of the distributors named above] in July 3, 1956, we turned down the opportunity of making a similar agreement with 3 other major Oil Companies. However, it was a case of either tying up with the Oil Companies, or having our competition do so. We believe that this applies over most of Western Ontario, if not all over our Province. Since the inception of our business, we estimate that service stations have been responsible for over 55% of our total dollar volume, and we are most concerned with the constant pressure which the Oil Companies exert upon their lessees, dictating the suppliers they must patronize, and the products which they must sell.

. . .

To enlarge further on the above, we would like to cite a number of situations which occurred recently, which indicate the unfairness of this practice. . . . [A principal distributor] recently added to their TBA line, Fram oil Filters which they are now trying to force the lessee to stock and sell. We

distribute Kralinator Filters, which are on a par in all ways with the Fram line, quality, car manufacture acceptance, price wise, and customer acceptance, and in the past quite a number of . . . [the principal distributor's] Stations have been stocking and selling our line. One of our better . . . [principal distributor's outlet] accounts who has been stocking our filters, was recently told by his oil company representative, that he must get rid of the Kralinator and stock only the Fram sold by the oil company. Now in this case, we are also a good customer of this particular station as far as gasoline purchases, lubrication service, washing, etc., and in addition to this we are in a position to give him far better service as far as deliveries are concerned, than the oil company, as we go by his door many times a day. The oil company has a minimum order of $50.00 for prepaid shipment, plus a couple days wait for the material to be shipped in from Hamilton. In spite of this, he is told that if he does not support the oil companies TBA program, his rent will be raised.

. . .

Almost every week, one of the major oil companies brings out some list of merchandise under their own label, with instructions to the lessee, that he must stock this brand only, and not any brand which would be competitive. . . . [the principal distributor cited above] just recently added gas line anti-freeze, and windshield washer solvent, which in the past we have been able to supply to their stations. In many cases the lessee has to order this material from an out of town warehouse with a minimum for prepaid shipment, while we can offer almost immediate delivery, plus the fact that many evenings and week ends, I personally come down and open up the store to get parts for some lessee, to help him provide emergency service for another car owner. . . . "

(Exhibit D 84)

42. Whitelaw Automotive and Industrial Supply Division: The Whitelaw Machinery Co.

"The unfairness of the competition is quite evident. One striking example of this occurring in December of 1958, when after receiving a definite order from a [principal distributor's] service station this had to be cancelled by the Lessee and he was given very little choice about obtaining this order from . . . [two wholesalers named]. If necessary, accurate detail on this transaction can be supplied, but we would hesitate before doing so since we know that at the very least, things could be,

and probably would be made extremely difficult for the Lessee in question.

There are instances where we can actually sell to service stations articles at less price than they have to pay from the supplier who in turn recompenses the Oil Company for the arrangement whereby supplies can only be bought by Lessee from Suppliers according to the arrangement with the Oil Company.

We are doing some business with a portion of the Oil Company controlled Lessee Service Stations, but there is some subterfuge attached to this business since the purchaser has to hide goods or the invoices from the Inspector or agents who make periodic check ups."

(Exhibit D 103)

. Whitehead German Limited

From accompanying letter:

"At one time, the oil companies discouraged their lessees from doing mechanical repairs, because, they claimed, it slowed down the service to customers who drove in to purchase the oil company's products.

Now, however, since the oil companies have made these rebate arrangements, they are permitting the lessees to have several mechanics, and are encouraging them to do minor repairs.

With the number of service stations increasing all the time, it is easy to understand that a very large percentage of all automotive products sold will be sold through these outlets. If the oil companies can dictate to the service station operators, and force them to buy only those products from which the oil companies derive a profit, then the day could come when the motoring public would be paying much more for their requirements than would be the case if competition were permitted."

From reply to question 9 (a) of the questionnaire:

"We do not pay any overriding commission to any Oil Company, but we are permitted to sell storage batteries to retail service stations handling McColl-Frontenac Oil Co. [Texaco Canada] products, because we report all sales made to those service stations to our supplier, The Electric Storage Battery Company (Canada) Ltd, who rebate a percentage of the sales made by us,

to the McColl-Frontenac Oil Co. Without this arrangement, we would not sell any batteries to the stations because of verbal threats to the station operators from the Oil Company."

(Exhibit D 106)

44. James Cowan & Company, Ltd.

In reply to question 10 (a):

"It is very difficult to answer this section in any other wa but a generalization. I might say that although, as the amount paid the Oil Company would indicate, our sales to their outlets have increased as a result of the agreement we do not secure all the available business nor do similar agreements held by competitive wholesalers completely exclude us. Where the Oil Company have real control through a definite indebtedness our agreement and other wholesaler agreements appear to be almost 100% effective.

(i & ii) In this case however we are almost completely excluded and because of this the station operator looses his opportunity to buy competitively."

(Exhibit D 139)

45. United Auto Parts Limited

In answer to Question 9:

"During the years 1955 and 1956, none of our business was done with service stations pursuant to agreements with any oil company. In connection with the arrangements between ou subsidiary, James Cowan & Company Limited and one of the oil companies, I would like to elaborate on the philosophy that was behind that move: We had refrained from these agreements for a long time because we felt that we could not very well give the oil companies a 5%, 6% or 7% commission to sell their stations and make any money. Obviously, because of the practices, we were feeling the pinch; we had an opportunity of making an agreement with one oil company on the following basis:- a) The commission would only be paid on sales in excess of what we had sold the various service stations in the previous years; b) the commission paid would be very small compared to what we were accustomed to hear about such arrangements."

[Terms of arrangement were 3% on sales over and above the level of sales in 1956 made to stations operated or controlled by the Oil Company.]

(Exhibit D 143)

Labombards Chatham Limited

"We are affected by the Oil Company Policies with regard to parts sales to lessees, and also on equipment sales as well. We find that intense pressure is put on the lessees to funnel their purchases to buy from 'approved outlets' or manufacturers branches, particularly tires and batteries, with the net result that our opportunities for sale to these outlets is cut at every possible chance. The end result in so far as we are concerned is that eventually complete control of automotive parts and accessories distribution will go to Oil Companies if the situation is not checked, and the ultimate jobbers position will be untenable.

We concluded a verbal agreement with . . . [a principal distributor] to sell their outlets in this area about October 1958, on a 4% rebate. We find it a distasteful situation in that the Company is simply collecting around $700. a year from us as a sort of protective policy. The only reason we are operating with this type of agreement is simply for experimental purposes. To date it has brought no tangible results to us for the reason that Company pressure on these outlets was taken off at our request, before we undertook the deal. The basic reason for this action was to try and see if greater results could be achieved on a goodwill basis rather than a forced basis which eventually causes an account to dislike the supplier. To date we don't see where we have proved anything except that the Oil Company has gained an extra profit and we have had the experience.

The writer realizes this reply isn't just what is required except to emphasize that we feel very strongly about a situation which could be described as akin to the 'Protective Rackets' often referred to by our Southern neighbours."

(Exhibit D 144)

7. Eglinton Automotive Supply Company Limited

"All major oil companies have an agreement with tire companies as to where their lessees must buy tires because of the rebate set up, and so it goes down the line. There have been cases where service station customers want to buy from us but are

afraid of their company supervisors, and they have asked us to send the merchandise after a certain hour, when they know their supervisors have left. One station in particular tells me that his supervisor puts more emphasis on his buying from the approved sources, than he does in pushing his company's own products, such as oil, grease, etc.. Consequently we suffer in the respect that these company owned stations are buying the merchandise they need immediately from us, because of our fast delivery, and buying the merchandise they carry in stock from their company approved sources.

We have always felt these oil companies were justified in promoting their own products, but should not dictate where their lessees must buy merchandise which they do not sell, because of the rebate set up they have with some Automotive Jobber. I have discussed this with oil company supervisors and their claim is that if they did not get this rebate, they would have to raise the lessee's rent, and that this was just a means of subsidizing."

(Exhibit G 33)

48. Bennet & Elliott Limited

"We gave up this business [soliciting service stations] several years ago because of these same restrictions that you are talking about, and the small amount of business obtained did not justify the amount of inventory necessary to give proper service.

Now since we are not in this business perhaps my viewpoint will be of some value to you as I do not stand to gain or lose regardless of what your decision is. [sic] Of course I am limited in my scope of observation in as much I operate purely on a local basis within the limits of the City of Toronto while you have to look at this matter from a national basis.

I think that the present restrictions placed upon the gasoline operators is bad because it defeats the whole purpose of the Combines Act. In other words the operator is forced to buy from either the oil companies or from a certain wholesaler designed [presumably means 'designated'] by the oil company at whatever price or discount such a wholesaler wishes to give him. That alone is against all practice of free enterprise and free pricing that our government advocates.

I think that the oil company has a perfect right to ask the operator to handle their own products such as the Atlas line of accessories as merchandised by Imperial Oil Co. but only if the

operator is a lessee and the oil company owns the station, but I don't think that they have a right to force an operator to buy from any particular wholesaler the articles that he needs which they do not merchandise, or any merchandise if the operator owns his own station.

In a large centre the designated wholesaler cannot give anything better than a two to five hour service and this is inconvenient to both the operator and the car owner. If he was free to buy where he wants he could probably obtain it from a wholesaler within a few blocks from him.

I must be equally frank and say that no matter what method of distribution is arrived at, that the ultimate consumer will not benefit one way or another. At present any wholesaler designated by the oil company must kick back a certain commission usually 6% based on all sales made to these outlets. This kick back amounts to hundreds of thousands of dollars. Since there are only a few oil companies this wealth is divided amongst a few. If this combine is broken up then the wholesaler will probably give this same 6% to each and every station operator of which there are thousands, and this same money will be divided amongst all of them. But I doubt very much if they will pass this extra saving into the car owner.

. . .

I think that the State of California has done more toward what you are trying to accomplish [sic] than anyone else.* Last month while I was there I noticed that every service station had in stock different lines which to me showed plainly that each individual service station operator bought where he wanted to at the best prices possible.

I don't think that the manufacturer will ever be stopped from supplying the oil companies under their own private brands. What hurts us is that they sell them the same products at a much lower price than they sell us. We have no arguments

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Presumably refers to results of court judgments; see below p. 247.

nor can we fight this. Nobody is going to pay us $1.00 for the same merchandise that he can buy elsewhere for .80. Yet the suppliers charge us .75 and we simply cannot meet the .80 price. They charge the oil company .56 and although there is a saving in the large volume they obtain from the oil company the saving effected does not justify such a large differential."

(Exhibit G 38)

Quebec Companies

49. Battery & Electric Service Company

"We have been informed by our representative that he was told by Mr. . . . [dealer's name and name of principal distributor] S/S operator, that during the first week of January 1959 Mr. . . . a [principal distributor] representative paid him a visit and asked him to produce all his invoices for 1958 and after having discussed that he had been buying service parts from our Company during that year he instructed Mr. . . . [dealer's name] to discontinue buying service parts from our Co and that unless he follows these instructions his rent would be increased by $1,000.00 a month.

Mr. . . . [dealer's name] then agreed to buy all his service parts from . . . [automotive wholesaler], Montreal who have an agreement with the . . . [principal distributor]".

(Exhibit D 45)

50. Maurice Rousseau Compagnie Limitee

In reply to question 8. [Taken from the French original]

". . . moreover, we must consider that in the city what we call a service station is not exactly the same kind of station as a service station outside the city or in the suburbs, which is rather a garage operator making general repairs but having pumps and being busy, besides with repairs, especially with the sale of gasoline, oil, greases, etc.: it is also necessary to take account of the fact that the majority of service stations in the city are the oil company's property and that in nearly all the cases, we cannot sell to them because the lessees of these stations are obliged to buy from the oil company or a supplier designated by the latter.

. . . 50 per cent of our business is done with service stations but only with those which are their own proprietors, and

although they suffer the same pressure on the part of the oil companies, they give us their business just the same.

. . .

10. (b)

We have always been against this kind of agreement and we have never tried to get one ourselves because, in the first place, we were under the impression that the thing was illegal; in the second place, an agreement of this kind is almost impossible for an organization having about our volume of business because the volume that we would attain in the different categories of merchandise does not permit us to reach the volume required by the different manufacturers in order to benefit from what one generally calls a 'volume bonus'. If there are no changes as a result of your inquiry, we will seriously consider the possibilities of obtaining one of the agreements if we can make the necessary changes in our type of operation which would allow us to pay to the oil companies a percentage on sales to their service stations.

11.

Before 1944-1945, the automobile manufacturers did not insist as they do today that the holder of a car dealer's franchise buy his replacement parts from the manufacturers with the result that a very large number among them were very good customers. Today, when we have a good customer like an independent garage man and when he decides to take on a car dealer franchise, we lose him almost completely as a customer because in the terms of the franchise that he signs with the car manufacturer he has not the right and must not stock replacement parts or products other than those produced by the car manufacturer concerned: moreover, it seems that the majority of car manufacturers have a policy to the effect that the business that the dealer must give them in replacement parts must be a certain percentage of the number of cars that he has bought during the year."

(Exhibit D 129)

<u>John Millen & Sons Limited</u>

"In so far as our own operations are concerned in the Province of Quebec, we have accepted oil company contracts in the past whenever they were offered. Admittedly our facilities for taking care of this class of trade are unparalleled because of geography, lines we handle, etc., but our main intent, and this for obvious reasons we do not broadcast, is our

wish to keep operations like the Imperial-Atlas situation out of the Province of Quebec if humanly possible.

Volume of TBA operations of oil companies in general is infinitesimal, compared to their total volume, and if certain of them with whom we have contracts decided that they were forced to get into the automotive business with both feet they could well afford to sinka series of yearly losses on TBA operations that would cripple and eventually kill any automotive house in Canada, ourselves included.

. . .

In fact it is our belief that if the oil companies get it into their heads someday that they are forced to set up their own facilities one hundred percent, even in view of their subsidizing their TBA operations, the ultimate consumer will immediately feel the impact, detrimentally so, because even in spite of subsidized operations the oil companies cannot service the trade and ultimately the consuming public as efficiently and as cheaply as the professionals in the business can."

(Exhibit D 132)

Due to unforeseen difficulties, the material which would have appeared on pages 235, 236 and 237 had to be deleted after the final manuscript of the Statement had been completed.

52. St. Jean Auto Parts Incorporated [taken from the French original]

"If the combines become 'illegal' [sic] the government will allow the small private firms to prosper, and to give more employment to Canadians. Actually, the manufacturers also complain that they cannot manufacture certain goods profitably because of competition with the other manufacturers who manufacture products under other names and in very large quantity. In our territory there are several kinds of goods that we sell which cannot be resold in service stations controlled by oil companies."

(Exhibit D 134)

53. Omer de Serres Limitee [taken from the French original]

"We are of the opinion that if there was no restriction in the sale of our products to service stations, we could perhaps increase our sales by about $100, 000 to $300, 000 annually without increasing noticeably our selling costs.

Several lessees do not seem very happy with the restrictions which are imposed on them and have mentioned it to our representatives. They believe that if they were free, they could often obtain better service, better selection, and better prices as a result of the competition which would exist."

(Exhibit D 141)

54. Quality Auto Supplies Ltd:

In answer to question 10 (b):

"Yes, we were invited by . . . [a principal distributor] in 1954 by a Mr. . . . for the purpose of asking us if we were interested in being their lessees', mortgagees and dealers' authorized wholesaler. Mr. . . . referred to the 'kick-back' as a 'fee' and he asked for 10%. I turned this down and Mr. . . . said that 'if I did not decide to go along with them within 30 days, they would single us out and make sure that none of their outlets buy as much as one cent of merchandise from us'.

As you must realize, we do call on all oil company outlets - even though their lessees, in most cases, are supposed to buy from authorised distributors. . . ."

In answer to question 11:

". . . Seventy per cent of our service station sales were made (to outlets who had to buy the oil companies' brand or suggested brand of products) on items that they could buy freely. Fifteen percent were sold to service stations that were privately owned and the other 15% of service station sales were made to service stations that were supposed to buy company branded products as well as from an authorized distributor. This 15% bought from us against the will of the company, due to service, price, brand, quality and warranty. . . ."

Second Letter:

"It is becoming more and more difficult to sell the service station operator because the oil companies are continuously adding items to their own branded line as well as the lines that they recommend be purchased from them. They have also stepped-up their tie-ins with certain wholesalers. . .

You might be surprised at our volume of sales...it is high despite our difficulties but we have twenty-two salesmen on the road in the province of Quebec. As I mentioned in my report, we call on the service stations who have tie-ins ... this in spite of the fact that the oil companies do not want their operators to buy from us because of the fact that these same companies do not get a 'kick-back' from us. Also, we call on the service stations who have to buy their company's products - since the number of their products are limited - our salesmen have the opportunity of selling the service stations the balance of the merchandise they need.

The wholesaler definitely needs the service stations as outlets... since they are the chief channels of distribution to the consuming public. The public goes to the service stations for most of their repairs...such as tune-ups and electrical repairs, brake work, all types of mechanical repairs and any service."

(Exhibit D 142)

55. United Auto Parts of Valleyfield Limited:

"A lessee of a service station which is owned by such companies as . . . [two principal distributors named], etc. is not at liberty to buy where ever he pleases, he is told to buy his merchandise at specific Jobbers and periodic check is made to be sure it is followed as instructed. If the lessee is reluctant or hides the bills or merchandise he has bought at places of his own choosing, he is confronted with statistics of so much T.B.A. (Tires, Batteries, Accessories) per gal. of gasoline sold, and warned to stay in line according to those figures or his rent will be put up to cover the loss of their overriding commission from their appointed Jobbers."

(Exhibit D 143 (c))

56. United Auto Parts of Quebec Limited [taken from the French original]

In reply to question 10 (a):

"Here are the names of the items that the oil company supplies itself, or by arrangement with a wholesaler with whom it has a contract -- tires and tubes, batteries, oil filters, glycol, a complete line of chemical products in most cases, fan belts, battery chargers, spark plugs, booster cables, battery cables, radiator hose and hose clamp, wiper blades, thermostats, bulbs, sealed beams, brake fluid, etc. The only thing which is lacking is a rope in case the lessee becomes discouraged."

(Exhibit D 143 (b))

57. Mercier Motor Supply Limited [taken from the French original]

"As wholesalers, we cannot, to say it frankly, consider a service station as a customer, not even in the immediate future. I, myself, had two service stations for Shell for ten years and because I knew the view of the Company on the sale of accessories or other products, I have never tried to use salesmen [with service stations?] who could have done a good job. [This is] because I was well enough known by service station lessees, having been at the time a member of the Service Station Association. I could have developed a very good business in this field . . . because being the owner of my business, I can easily give an additional 10% on the goods that I can sell them

and I believe that the public would benefit from the better service and from the small reduction which is not a thing to be disregarded.

If I remember well, at the time, that is in 1934 or 1935, it was I who started the sale of accessories in Shell service stations and slowly Shell has adopted for all their service stations only one brand of products for the purpose of having homogeneity in all their products. . . .

You are trying to determine what importance the service stations have for the consumer. In my view, the service station is the link in the chain that gives that security to the driver who travels a lot, because he knows that wherever he will go he can depend on such and such a company, because it has a good past to prove it. I am not against the fact that the companies demand homogeneity in their service stations, since in the end it is their service station, but I am against the fact that they tell you where to buy.

Service stations have great importance for wholesalers such as . . . [names of two large wholesalers in Montreal], wholesalers of this type. Today it has reached such a point that by losing these outlets [presumably means service stations] they would see themselves pushed almost to ruin. You can readily imagine [that] if you have 500 customers who give you $1,000 business a month, what amount of business you are going to do without hardly having to work; from the manufacturers you can have better discounts since your orders are bigger; a salesman no longer has to solicit [business] -- he only has to go around and take the orders. Consequently instead of five salesmen to solicit business, they [hardly need] four of them, etc. and when the small wholesalers, like us, try to fight the big ones who buy the same merchandise as we do, but in larger quantities, we cannot do it because the purchasing power is with them."

(Exhibit D 86)

58. Equipment Tools & Steel Limited

"Since we are no longer in this type of business and have not had occasion to call on Service Station and Oil Companies for the past four (4) - five (5) years, we feel that we are in no position to help you. However, we would like to point out that the reason we originally stopped calling on this type of business, was exactly for the reasons for which you are now investigating. . . ."

(Exhibit G 1)

59. W. H. Golding

"I have been in the wholesale Automotive Supply business for the past nine years, and I would say that about 75% of my business is done with Gasoline Service Stations and the balance with car dealers and garages. . . .

It has been very difficult for me to get very much business from Service Stations for reasons given below, and which I believe are general with all small jobbers and maybe with some of the larger ones.

. . .

2) I have asked many of the Service Station operators if they had anything in writing from their Company which forbids them to buy from me, and the reply has always been No. But they have reminded me that their lease was due for renewal and they just had to obey orders from the Company.

3) I have also been asked by many of the operators who have given me small orders, to watch out for the Company's Supervisor when I returned to deliver the order, and if he happened to be around, not to deliver, but to return later.

4) During the past nine years while calling on Service Stations, I have noticed that salesmen from one of the larger Automotive Jobbers had no trouble in getting business. He just took orders. This practise does not seem fair to the Automotive Wholesalers in general."

(Exhibit G 58)

Companies in the Atlantic Provinces

60 Provincial Motor Sales Ltd.

In reply to question 10:

"In reply to this question I cannot say that we are absolutely precluded from selling to certain gasoline service stations but we are informed by the Managers that Oil Companies Officials have visited their premises and told them to remove certain items from the shelves or floor. Only this week our salesman visited a . . . [principal distributor's] Service Station to sell him some Pratt mufflers as he had been a stocking dealer, the salesman did not see the Pratt Display and asked the

operator where it was, he replied that the Oil Company told him he would have to remove it from his showroom if he still wished to sell this muffler. All our . . . [a principal distributor's] Service Station outlets, i.e. rented premises owned by . . . [the principal distributor], have been instructed to paint their Anco wiper blade cabinets white and blue so as to hide the correct name of the Manufacturers product."

In general:

"It is now practically impossible for us as a Jobber to sell Retail Gasoline outlets such items as antifreeze, oil filters, transmission fluid, batteries, spark plugs, and automotive chemical lines, etc."

(Exhibit D 108)

1 Hamilton's Auto Supplies Ltd.

"Sales to Company owned service stations could only be made when the operator was completely out of the item required when the salesman called."

(Exhibit D 50)

52. A. E. Hickman Co. Limited

"Until recently all the service stations operated in Newfoundland were privately owned. As a result, they had the right to purchase their Automotive requirements from sources of their own choice. This condition has changed during the past two years. During that time Irving has come to Newfoundland and British American have been quite active in promoting their stations. Because of this a number of stations financed by these oil companies will be expected to purchase their automotive supplies from the two companies mentioned. Obviously, this will have its effect upon the wholesale Automotive supply houses such as ours.

Until some two years ago, Imperial Oil supplied practically all of the gasolene to these service stations. This company made no attempt to interfer with privately owned stations who, up to that time had been responsible for all service outlets. The whole picture has recently changed and the writer feels this will be accelerated during the next five years and that they will extend throughout most of this Province. If the oil companies make money available for

capital expenditure, then certainly these controlled service stations will have a considerable impact upon those operated by private individuals. The latter certainly do not have sufficient capital to improve their stations and to make them comparable to the new ones being erected with oil company financing. As this condition continues to spread then certainly our business at a wholesale level will be seriously affected."

(Exhibit G 7)

63. Aska Sales Limited

"Our business is mainly wholesale supply of automotive parts and accessories. The majority of sales being made to garage & service stations. For the past two or three years it has become increasingly difficult to sell to garage dealers as they are forced by the major car manufacturers to handle the products manufactured by them, therefore, our sales attention has been directed to the service stations. Within the past twelve to eighteen months we have found that the major oil companies have been putting pressure on the service station owners to purchase products from the major oil companies which further decreases the possibility of sales from concerns such as ours."

(Exhibit G 61)

64. J. W. McGrath, Limited

"Our business with the retail service stations is very limited. In those instances where the Oil Companies own the automotive service station, we sell such service stations little or nothing. In those cases where the service station is independently owned, we do do better.

This writer, however, feels that the motor car manufacturers are more blameworthy in this respect than the Oil Companies. The motor car manufacturers, all of whom have a line of automotive chemicals, tell those who have their franchise for the sale of their cars, that they have to handle their automotive chemicals or lose the franchise. We cannot sell the local distributor for General Motors, Ford or Chrysler any automotive chemicals because General Motors, Ford and Chrysler have their own brands of automotive chemicals and the local distributors would lose their franchise if they attempted to handle any other brand other than the brands carried by these manufacturers."

(Exhibit D 28)

Batt & MacRae Limited

"Referring to your enquiry of January 23 regarding certain Oil Companies restricting the operators of their service stations from buying certain automotive parts from other than their own warehouses, we might say we do enjoy a fair share of business from the retail gasoline stations in our area but not to the extent we would if the service station operators were not told by the supplying Oil Companies that they have to use their products or give up the station.

We regret we do not have a breakdown of the various parts sold to the operators of stations owned by the several Oil Companies but would estimate 40% of our wholesale business is with the retail gasoline stations.

We were approached several years ago, possibly in 1952, by one of the Oil Companies with a proposition if we would give their company 7% on our sales to their retail gasoline station, they would instruct their operators to purchase all their material from us. We did not think this was a good business practice and did not have any part of it."

(Exhibit G 59)

The following is a list of wholesalers from whose eturns quotations are given above and from whom there is additional elevant material which was not included to avoid repetition.

Company	Reference Number
lotor Car Supply Co. of Canada Ltd., Alta.	D - 2
/hitaker and Rivercombe Ltd., B.C.	D - 4
yle Cook Wholesale Automotive Parts, Ont.	D - 9
niversal Auto Supply, Alta	D - 14
ourk's Ignition Ltd., Ontario	D - 21
owman Brothers Ltd., Sask.	D - 22
. W. McGrath Ltd., Nfld.	D - 28
litchell Auto Parts Ltd., B.C.	D - 34
. H. Peacock Ltd., Alta.	D - 35
. Angus Ltd., B.C.	D - 36
ecil Clark Ltd., B.C.	D - 38
deal Supply Co. Ltd., Ont.	D - 49
at's Auto Supply Co. Ltd., Alta.	D - 54
lutton's Ltd., Alta.	D - 55
own Automotive Supply, Ont.	D - 57
Velch & Johnston Ltd., Ont.	D - 60

Company	Reference Number
Simplex Motor Parts Ltd., Ont.	D - 63
Nelson & Rigby Ltd., Ont.	D - 64
Spooner Auto Supplies Ltd., Ont.	D - 69
Ontario Auto & Electric Supply, Ont.	D - 71
Russell, Willis & Crispo Ltd., Ont.	D - 81
Garage Supply (St. Catharines) Ltd., Ont.	D - 82
K-W Automotive Service Ltd., Ont.	D - 84
Mercier Motor Supply Ltd., Que.	D - 86
Carrington Cairns Supply Ltd., B.C.	D - 90
Whitelaw Automotive & Industrial Supply Div., The Whitelaw Machinery Co., Ont.	D - 103
Whitehead German Ltd., Ont.	D - 106
Gillis & Warren Ltd., Man.	D - 107
Provincial Motor Sales Ltd., N.B.	D - 108
Loveseth Ltd., Alta.	D - 120
Duncan Automotive Ltd., Alta.	D - 125
Maurice Rousseau Co. Ltd., Que.	D - 129
John Millen & Son Ltd., Que.	D - 132
St. Jean Auto Parts, Inc., Que.	D - 134
Ormer de Serres, Ltd., Que.	D - 141
Quality Auto Supplies Ltd., Que.	D - 142
United Auto Parts Ltd., Que	D - 143 (a)
United Auto Parts of Quebec Ltd., Que.	D - 143 (b)
Davies Electric Co. Ltd., Sask.	G - 11
Eglinton Automotive Supply Co. Ltd., Ont.	G - 33
Bennet & Elliott Ltd., Ont.	G - 38
W. H. Golding, Que.	G - 58
Batt & MacRae Ltd., P.E.I.	G - 59
Aska Sales Ltd., Nfld.	G - 61

The following is a list of wholesalers whose returns contained views and opinions relevant to this inquiry but which were n quoted above because similar views were expressed by the whole- salers who have been quoted.

Company	Reference Number
General Auto Parts Co. Ltd., Man.	D - 1
British Motor Products Ltd., B.C.	D - 3
Irwin Auto Parts Ltd., Sask.	D - 12
R. Walker & Sons Ltd., B.C.	D - 16
C. F. Bogart Co. Ltd., B.C.	D - 18
Kirk Electric Ltd., B.C.	D - 25
Garage Supply Co. Ltd., Ont.	D - 26
Dominion Auto Supply, Ont.	D - 27

Company	Reference Number
Thompson Auto Suppliers (Saskatoon) Ltd., Sask.	D - 43
Wheelers Wholesale Ltd., Sask.	D - 44
Dow's Auto Electric Ltd., Ont.	D - 47
Lone Star Auto Electric Service, Sask.	D - 59
North End Auto Supply (Toronto) Ltd., Ont.	D - 62
Wolsey Automotive Ltd., Ont.	D - 68
Anthony Foster & Sons Ltd., Ont.	D - 73
Standard Auto Parts, Ltd., Alta.	D - 77
Automotive Suppliers Ltd., Sask.	D - 80
Bowmanville Auto Parts, Ont.	D - 92
Auto Electric Associates Inc., Que.	D - 93
Motive Parts and Equipment Ltd., Ont.	D - 97
North Bay Auto Supply Ltd., Ont.	D - 98
Robert K. Buzzell Ltd., N.B.	D - 99
Powell's Auto Service Co. Ltd., Ont.	D - 100
Auto Machinery and General Supply Co. Ltd., N.B.	D - 101
Lake Shore Auto Parts, Ont.	D - 105
Herb Robinson Wholesale Ltd., Ont.	D - 117
Ludger Gravel & Fils Ltee., Que.	D - 130
St. Hyacinthe Auto Parts Ltd., Que.	D - 131
General Automobile Equipment Ltd., Que.	D - 138
Duvernay Auto Parts Reg., Que.	D - 140
United Supply (Timmins) Ltd., Ont.	D - 145
Rafuse Equipment & Supply Co. Ltd., N.S.	G - 3
Delisle Auto Accessoires Ltee., Que.	G - 12
A. L. Torgis & Son Ltd., Ont.	G - 21
The Standard Machine Works, Man.	G - 41
Midtown Auto Supply (Windsor) Ltd., Ont.	G - 62

The response of those wholesalers who reported agreements with any of the principal distributors, to the sections of the questionnaire dealing with sales and market access commissions, was relatively good, although not all companies could provide figures. In some instances, the returns of the principal distributors were of considerable assistance. While the data in Table 45 do not embrace all agreement sales by reporting wholesalers, they probably cover substantially such sales. For 1955 and 1956 the totals for reported agreement sales were $3, 086, 900 and $3, 940, 100 respectively.

Table 45

Reported Sales by Wholesalers under Market Access Agreements, by Provinces - 1955 and 1956

Provinces	Sales (1)	
	1955	1956
British Columbia and Alberta	$ 1, 386, 600	$ 1, 537, 900
Saskatchewan and Manitoba and Atlantic (2)	460, 800	673, 700
Ontario	393, 000	611, 800
Quebec	846, 500	1, 116, 700
Totals	3, 086, 900	3, 940, 100

(1) These data exclude sales by Atlas Supply.

(2) Combined to mask sales of individual wholesalers.

It has already been noted that Atlas Supply Company of Canada Limited is understood to deal exclusively with one of the major oil companies. Atlas Supply is now a wholly owned subsidiary of Imperial. Previously, Imperial had been by agreem the sole distributor in Canada of the T.B.A. products of Atlas Supply. Apparently Atlas Supply does not sell directly to any service station dealers but only to Imperial. Imperial in turn sell to the service station dealers in its own network and also supplies other service station dealers such as those of United Farmers in Alberta who acquire the "Atlas" products through Maple Leaf, anot subsidiary of Imperial. No commissions are paid by Atlas Supply to Imperial. Sales to Imperial are made on the basis of cost, that is, the supplier's invoice price to Atlas Supply, plus a fixed percentage mark-up, the size of which depends on the type of product. Because of the rather different situation in which Atlas Supply operates compared with the other wholesalers, Atlas Supply is not included in the following analysis of agreement sales.

In 1955 and 1956 the total agreement sales reported ab amount to 2.6 per cent and 3.0 per cent respectively of the total

sales reported by wholesalers in answer to the questionnaires (See Table 39, p.188 above). Within the different provinces, the proportions vary as indicated in Table 46.

Table 46

Reported Agreement Sales as Percentages of Total Sales Reported by Wholesalers - 1955 and 1956

Provinces	Percentage(1) 1955	1956
British Columbia and Alberta	5.4	5.2
Saskatchewan, Manitoba and Atlantic Provinces	1.9	2.5
Ontario	1.1	1.7
Quebec	2.5	2.9
All Provinces	2.6	3.0

(1) The sales of Atlas Supply are excluded from the base on which these percentages are calculated.

A check of the returns made by principal distributors indicates that returns were received from a majority of all wholesalers with agreements. Certainly for the four western provinces and Quebec, the wholesalers doing the most business under agreements have provided information. The provinces of British Columbia and Alberta are presented together in the above compilation because the largest wholesaler doing business in British Columbia is an Alberta company. Furthermore the agreement sales of this company for 1955 and 1956 were made in British Columbia.

It was noted earlier that total sales of reporting wholesalers rose 8.96 per cent in 1956. There was an even greater increase in reported sales under agreements, which increase amounted to about 28 per cent in 1956. In that year a number of wholesalers entered into agreements with Canadian Petrofina which had then been recently organized and which now operates in Ontario, Quebec and the Atlantic Provinces. Whether sales under

agreements today would account for as high a percentage as in 1956 is open to question. Since that date B.A., Texaco Canada and Canadian Oil have in greater or less degree undertaken their own distribution of automotive products. A number of agreements which at one time involved substantial sales to the service station dealers of these oil companies have been cancelled. Moreover there is some evidence that pressure on service station lessees to deal with agreement-holding wholesalers may have been relaxed by some oil companies. On the other hand, the organization of B.P. and the signing of market access agreements by that Company may have offse this trend. It would seem reasonable to conclude, nevertheless, that sales under agreements with wholesalers constitute a quite minor percentage of total sales by automotive products wholesalers. However, this conclusion is subject to important reservations as noted below.

With some commodities, accessories for example, agreement sales may account for all of a wholesaler's sales to service station dealers. Also, agreement sales may account for as high as 70 per cent of an individual wholesaler's combined sales of all commodities to such dealers. Agreement sales, of course, are of less importance in a wholesaler's total sales of a commodity to all customers and in a wholesaler's total sales of all commodities. Percentages as high as 26 per cent of the total sales of a wholesaler however have been noted (excluding Atlas Supply).

The significance of agreement sales to the individual agreement-holding wholesaler is discussed in greater detail in the analysis by provinces in Appendix IX.

It was not possible to determine in all cases the commissions paid under market access agreements by wholesalers or by manufacturers on behalf of wholesalers, on sales to service stations. The figures compiled below represent an estimate of the commissions paid on the agreement sales reported.

Table 47

Commissions on Reported Sales of Wholesalers under Market Access Agreements by Provinces, 1955 and 1956

Province or Group	Commissions 1955	1956
British Columbia and Alberta	$104,400	$114,400
Saskatchewan, Manitoba and Atlantic (1)	35,800	43,100
Ontario	22,700	36,500
Quebec	46,000	62,000
Totals	208,900	256,000

(1) Combined to mask commission payments of individual wholesalers.

n Table 48 the commissions are expressed as percentages of greement sales and as percentages of total sales of all reporting ompanies, indicating the relative importance of commissions to the vholesalers with agreements and to the trade as a whole. To the xtent that a higher percentage of agreement-holding wholesalers rovided information than did wholesalers without agreements, the lata in columns 3 and 4 in Table 48 may well give an exaggerated icture. The higher percentages in 1956 in Ontario and Quebec and lso in the Atlantic Provinces (although for the last this is not vident in the Table because the figures are rounded off), may in part e due to commencement in that year of sales by certain wholesalers nder agreement with Canadian Petrofina.

Table 48

Reported Commissions as Percentages of Reported Agreement and Total Sales by Provinces, 1955 and 1956

Provinces	Commissions: As a Percentage of Agreement Sales 1955	1956	As a Percentage of Total Sales 1955	1956
British Columbia and Alberta	7.5	7.4	0.41	0.39
Saskatchewan	8.7	6.4	(1)	(1)
Manitoba	7.4	6.9	(2)	(2)
Ontario	5.8	6.0	0.06	0.10
Quebec	5.4	5.6	0.14	0.16
Atlantic Provinces	6.1	6.1	(3)	(3)
All Provinces	6.8	6.5	0.17	0.20

(1) Between 0.20 and 0.25 per cent.

(2) Between 0.15 and 0.20 per cent.

(3) Between 0.01 and 0.15 per cent.

The number of companies which participated in agreements in 1955 and 1956, among the 195 firms reporting on this point, was 37. A number of wholesalers reported subsequent cancellation of some of their agreements, such as those with B.A., and a number cancelled all of their agreements. Fourteen companies indicated they had signed agreements after 1956. In some cases these companies were merely extending the number of agreements they already had with oil companies. Two companies cancelled their later agreements.

A point of importance in many agreements between wholesalers and principal distributors particularly where the principal distributors themselves handle distribution or have agreements with manufacturers is that frequently the wholesalers are required to undertake not to sell such products as oils and greases, tires and

es, anti-freeze and batteries to the distributors' dealers.

In a number of the quotations, reference was made to reements between principal distributors and some of the wholesalers, association with the Electric Storage Battery Company of Canada nited and its predecessor companies producing the "Willard" and xide" batteries. it is not possible to record exactly the number of olesalers participating in such arrangements. Where a wholesaler nfined agreements to this type, such agreements would not cessarily facilitate sales of other commodities to the service tion dealers of the distributor covered by the battery arrangements. turns from a few wholesalers indicate that similar arrangements olving two other battery manufacturers, for payment of commissions the wholesalers' battery sales, may be in effect.

CHAPTER VI

REVIEW OF THE EVIDENCE

A. Summary:

1. The Service Station Market

The production, distribution and sale of automobiles and automotive products constitute a significant segment of the Canadian economy which unites in a complex pattern the products of many industries, some of which are very large and others which are quite small. Contributing to this pattern are some of the largest corporations in Canada and some of the most extensive networks of retail outlets. All this is geared to provide the driver-consumer with a selection of motor vehicles and with the products and service necess ry to keep these motor vehicles in satisfactory running order in any part of the country where they may be operated.

The market for gasoline, lubricating oils, greases, anti freeze, additives, tires and tubes, batteries, accessories and parts has been estimated from Dominion Bureau of Statistics sources to ha totalled at the producers' level $1,077,251,000, $1,374,403,000 and $1,519,737,000 in 1951, 1955 and 1956 respectively, inclusive of imports. The market for lubricating oils and greases is estimated t have comprised 4.6 per cent of the total in 1951, 4.7 per cent in 195 and 5.4 per cent in 1956; for anti-freeze, 1.3 per cent, 0.9 per cen and 0.7 per cent in the same years; for tires and tubes, 15.0 per ce 13.1 per cent and 12.8 per cent; for storage batteries and battery parts, 1.6 per cent, 1.7 per cent, and 1.6 per cent; for parts and accessories, 46.7 per cent, 41.2 per cent and 41.5 per cent, the largest proportion of which would likely be accounted for by parts. These service station products and parts made up 69.2 per cent, 61. per cent and 62.0 per cent of the estimated combined market for all such products and automotive gasolines.

From similar sources, sales by wholesalers dealing in automotive parts, and accessories, and tires and tubes, have been estimated at $246,800,000, $302,700,000 and $338,000,000 in the same three years. Sales specifically of T. B. A. products and anti-freeze were estimated to have accounted for almost 32 per cent of th total for 1951 or $81,200,000. Similar sales of T. B. A. products by manufacturers sales branches were reported totalling $75,300,000. Sales of lubricating oils and greases by wholesalers amounted to

2,100,000. In addition some proportion of sales of automotive parts, ccessories and equipment and petroleum products totalling 42,100,000 would be made up of sales of service station products. t is perhaps not unreasonable to assume therefore that in 1951 holesale sales of service station products would have been in the eighbourhood of $160,000,000.

Certain data for retail sales of gasoline, service station roducts and parts are available from the Dominion Bureau of tatistics but only for the year 1951. These data indicate total sales mounting to $822,097,000 of which $403,713,000 came from gasoline ales, $41,425,000 from lubricating oils, and $376,959,000 from ales of T.B.A. products and parts.

The retail sales noted above were reported for dealers in number of different types of retail business. Some of these would e unlikely to fall within the category with which this inquiry is rimarily concerned, that is, service stations. However, accessory, ire and battery shops; implement and car dealers; and filling tations and garages -- the group of retailers principally concerned ith the distribution of automobiles and automotive products -- ccounted for over 96 per cent of the above total retail sales. It was oncluded that, because a majority of the retail outlets in this group old gasoline and petroleum products and would therefore be linked ith one of the "principal distributors", a major proportion of the etail sales of gasoline and service station products reported for 951 were made by what should be regarded as service stations. On he other hand it appeared that quite a substantial number of service tations would not be included in the retail outlets covered by the Dominion Bureau of Statistics. Many of these would be associated ith different types of service business. Retail sales by such outlets f service station products of an unknown amount would be additional o the above totals. Nevertheless, the comparative importance of ales of gasoline and lubricating oils and greases by the different ypes of service station indicated by the principal distributors' eturns, suggests that for gasoline sales, the retail outlets covered y the Bureau likely include the most important service stations.

The returns of information from 33 oil companies and asoline distributors comprising the principal distributors in Canada ielded considerable statistical data on sales of gasoline and service tation products by these companies, and on the structure of their ervice station networks. One of the 33 companies was not incorporated in 1955 or 1956, the two years for which sales data were sought. Moreover the data supplied in the returns were not always complete. Nonetheless the following data taken from the returns, do provide a easonably close picture of the market accounted for by these companies and by their networks of service stations which, in January, 1958, ncluded 36,471 outlets.

The principal distributors reported sales of all commodities totalling $1,179,790,000 and $1,373,918,000 in 1955 and 1956 respectively. Sales to all customers of motor vehicle petroleum products exceeded $630,434,000 and $720,803,000 in the same years and such sales accounted for from 30.2 to 100 per cent of individual distributors' sales. Sales to service station dealers only of gasoline, lubricating oils, greases and anti-freeze from produced or purchased stocks totalled in excess of $341,732,000 and $380,818,000 in 1955 and 1956 respectively. Of these sales to service station dealers, some $29,471,000 and $31,967,000 were derived from sales of oils, greases, and anti-freeze in the same two years. These sales can be broken down in the following proportions: lubricating oils, 76.9 and 77.2 per cent; greases, 9.3 and 9.0 per cent; and anti-freeze 13.8 per cent in both years. Man of the principal distributors also sold T.B.A. products and such sales reportedly totalled $20,888,000 and $23,083,000 in 1955 and 1956. Thus sales by the principal distributors of service station products to operators of such outlets exceeded $50,359,000 and $55,050,000 in these two years and amounted to just under 14.0 per cent in each year of the combined sales of gasoline and service station products. For the individual distributor, the percentage ranged between 2.8 and 24.5 per cent in 1956.

Nineteen oil companies reported that they had made market access agreements with suppliers of T.B.A. products and sales under these agreements totalled $22,377,000 and $26,015,000 in 1955 and 1956 respectively. Thus sales by the principal distributors of service station products to service station dealers added to sales under market access agreements totalled some $72,736,00 and $81,065,000 in the same two years. Of these totals, 30.7 and 32.1 per cent respectively were made up of agreement sales of T.B.A. products; the percentages for individual companies ranged between 12.0 and 81.5 per cent in 1956. Of the same totals 34.9 an 34.0 per cent were made up of lubricating oils and greases; 5.6 an 5.4 per cent of anti-freeze; and 28.8 and 28.5 per cent of T.B.A. products sold by the distributors themselves.

In the survey of the manufacturers of tires and tubes, replies were received from six companies including the major producers. They reported tire and tube sales amounting to 80.6 an 85.0 per cent respectively of the total of shipments by domestic producers plus imports during 1955 and 1956, as reported by the Dominion Bureau of Statistics. Only one of the six producers repor no market access agreements with any of the principal distributors. Sales of tires and tubes under market access agreements were reported totalling $14,952,000 and $20,433,000 in 1955 and 1956 respectively. These figures are 10.3 per cent below and 5.0 per cent above the totals compiled from the oil company returns for the same years. These totals do not, of course, represent the total

ales of tires and tubes in the service station market by the tire anufacturers because there are a number of the principal distri- utors who do not have market access agreements with the manu- cturers. In addition a large proportion of the service stations in e networks of those companies with agreements may not be covered y the agreements, i.e. independent, brand outlets. Agreement ales represented 10.3 and 12.3 per cent of total sales of tires and ibes, reported by the above manufacturers.

Suppliers of storage batteries, ten of whom provided formation in reply to questionnaires, reported battery sales in 956 estimated at $9,500,000. This represents 39 per cent of the otal of shipments by domestic producers plus imports. Several roducers did not provide information and data for 1955 were in- omplete. It was also impossible to obtain from suppliers information n the value of sales of storage batteries under market access agree- ents. One battery manufacturer and four tire manufacturers who lso distribute batteries have such agreements with a number of the rincipal distributors; the battery manufacturer also has agreements ith certain large automotive wholesalers who in turn have agree- ents with certain principal distributors. The data on sales under greements compiled from the returns of the principal distributors dicated such sales amounted to $1,833,000 and $1,679,000 in 1955 nd 1956 respectively. These totals include sales under agreement ith manufacturing suppliers and with automotive wholesalers.

Seventy-six suppliers of automotive accessories provided formation in reply to questionnaires. While it was not possible to ompile total values for sales of accessories in 1955 and 1956, hether or not under market access agreements, it was estimated at such sales would be in excess of $30,000,000 annually. Only six uppliers reported market access agreements with any of the principal istributors, and of these four supplied accessories in their capacity s wholesalers of such commodities and not as manufacturers. Data ompiled from returns of the principal distributors indicated sales nder agreements totalled $3,846,000 and $4,871,000 in 1955 and 956 respectively. These agreements would include those with anufacturing suppliers and with automotive wholesalers. The mited data available indicate that sales of accessories under market ccess agreements would not likely be more than a minor proportion f the combined sales of all suppliers and would not likely be very ignificant even for the particular companies with agreements. It ay be noted that a number of suppliers indicated they dealt directly ith oil companies without recourse to agreements. The products volved most likely would be for resale by the oil companies to eir service station dealers.

Six suppliers of additives doing business in Canada provi information concerning their sales, but these were not confined to ad tive products. It is estimated that sales of additives by these companies in 1955 and 1956 totalled $1,160,000 and $1,180,000 respectively. None of the reporting suppliers sold additives under market access agreements although some principal distributors did purchase for resale to their dealers. In some instances additive suppliers sold directly to service station dealers and these outlets might account for a substantial share of the individual supplier's total sales.

Sales of anti-freeze were reported by fifteen suppliers. Again it is not possible to state the value of sales of anti-freeze by these companies as such data were not complete. None of the suppliers, which included one of the large primary producers, reported market access agreements with any of the principal distributors. However, anti-freeze is a commodity frequently sold by the distributors under their own brand names, and therefore, it is less likely to be covered by such agreements.

Fifteen producers and suppliers of lubricating oils provided information in reply to questionnaires. Only seven appeare to be producers while a number of the others were merely jobbers. Lubricating oils apparently accounted for a substantial share of the producers' sales, although other products were dealt in. None of the suppliers reported market access agreements with any of the princip distributors. However Imperial appeared to be the sole distributor for one of the producers. Except in this instance, the reporting suppliers were apparently marketing their products in competition with the principal distributors' branded goods. Nine of the suppliers of lubricating oils also reported sales of greases. However the statistical data was insufficient to permit any estimation of total sales. None of the suppliers reported any market access agreement in respect of greases.

In the survey of wholesalers of automotive products only 39 per cent of the questionnaires were returned with useful replies. The wholesalers included in the survey were those known generally in the trade as "automotive" wholesalers and it is believed that they approximate the two classes referred to by the Dominion Bureau of Statistics as automotive parts and accessories wholesalers and as tire and tube wholesalers. It is likely that only a few fall into the other classes referred to in Chapter II, p. 13 who also deal to some extent in automotive products. Similarly, none would be

assified as manufacturers sales branches, a group also referred to ı p.14. *

Most of the wholesalers who replied to the questionnaire ·ovided data on sales mainly of automotive products, for 1955 and ⁾56. These are estimated to have totalled $120,045,000 and .30,787,000 each year and to have represented proportions very ose to 39 per cent in both years of the Bureau's sales data for the ıtomotive parts and accessories, and the tires and tubes wholeılers. The major proportion - 75.4 per cent - of the reported sales r 1956 were made by Alberta, Ontario and Quebec wholesalers. ›me wholesalers do a measure of retail business (which would not reported in the Bureau's retail sales) but wholesale sales accounted r some 97 per cent of the sales.

Among the service station products most commonly sold the reporting wholesalers, accessories, batteries, parts, antieeze and additives, were in each instance sold by at least 70 per ent of the companies. Considerably fewer companies reported sales lubricating oils, greases and tires and tubes - 32 per cent for oils ıd greases and 29 per cent for tires and tubes. This situation is xplained best by the fact that virtually all of the principal distributors ell branded oils and most sell branded greases to their service tation networks and to other accounts and thus these commodities ould be affected by full-line forcing policies. In the case of tires ıd tubes, it appears that they are sold either by the principal istributors themselves, or under market access agreements with the ıajor manufacturers, many of whom have established extensive anchised dealerships in the service station market. Wholesalers ould probably find such commodities slow moving, unless, like a ery few wholesalers, they have market access agreements with some the principal distributors.

While there may be wide variations among wholesalers ı the business each may derive from a particular service station ommodity, it appears from the returns that greases, anti-freeze, ıbricating oils, batteries, and additives, are unlikely alone to ccount for anything more than a minor percentage of sales. This is articularly true of greases. Accessories and parts may each account

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* The discussion of Dominion Bureau of Statistics data indicated that sales of service station products by manufacturers' sales branches were reported along with wholesale sales. It seems probable that the statistics derived in this inquiry from questionnaires to manufacturers would also have included a substantial proportion of such branch sales.

for a large proportion, sometimes all, of sales and tires and tubes may make up a substantial portion. Another important source of business for many wholesalers is the sale of garage and service station equipment, paints, tools and labour charges associated with servicing the automotive field. Of course some wholesalers do business in non-automotive products but where possible, these were excluded from the total sales for 1955 and 1956 reported above.

Before participation by the wholesalers in the service station market is reviewed, the special position of one wholesaler should be noted. This is Atlas Supply which is a subsidiary of Imperial and buys T. B. A. products for resale to Imperial. Imperia does not confine its sales of Atlas products to its own service station network but, through its subsidiary, Maple Leaf, deals with United Farmers in Alberta, among other customers. In this connection it i worth noting that not only does Imperial embrace in its network the largest proportion of service stations - 23.73 per cent of the total for Canada in 1957 - but also the Company sells the largest amount o service station products of any of the principal distributors. Of Imperial's sales of service station products, three-quarters are T. B. A. commodities which are probably purchased almost entirely from Atlas Supply.

Service station dealers of course were only one among several classes of customers of the wholesalers. The wholesalers also dealt with independent garages, car dealers, body repair shops, commercial and industrial accounts, trucking fleets, etc. Neverthe- less, for some wholesalers, service station dealers were the princi customers. Accessories, batteries, parts, additives and anti-freez were sold to service station dealers by a majority of wholesalers. Less than a quarter of the wholesalers sold tires and tubes and lubricating oils and greases to service station operators. For the wholesalers dealing in this latter group of commodities, other customers than service stations assumed particular importance. While it is not possible to determine what proportion of all wholesale sales was made to service station dealers or what proportion of all sales of a given commodity was made to them, it is known that for each commodity some wholesalers found customers only among service station dealers. It appears that such dealers are an importa market for the automotive products wholesalers, and especially for those wholesalers dealing extensively in accessories and parts.

Only a few of the reporting wholesalers indicated that the had ceased to solicit service station business because of the principa distributors' full-line forcing or directed buying policies and only a very small number indicated they had gone entirely out of the automotive products field for this cause. Nevertheless, a majority of wholesalers reported they had had difficulties selling in this market and some had been precluded from doing so, because of the above

olicies. Many, including wholesalers with market access agree-nents, believed their sales would have been higher were it not for hese policies. The principal distributors, whose market access greements with a preferred wholesaler or group of wholesalers vere cited as a source of marketing difficulty by the other whole-alers, included Shell, Canadian Petrofina, Canadian Oil, Texaco Canada, Supertest, Reliance, Regent, B. P., North Star, Royalite, Home, Standard and Anglo American. The wholesalers also indicated hat the policies adopted by the following distributors of selling their wn brands or particular manufacturers' lines of service station roducts had made it difficult for such wholesalers to compete; mperial, Sunoco, Cities Service, B.A., Irving, Shell, Home, tandard, Texaco Canada, Champlain, Canadian Petrofina, B.P., Royalite and Canadian Oil. Tires and tubes and batteries were the nost frequently mentioned commodities in this regard. Of particular oncern to some wholesalers was the alleged practice by a number of il companies of distributing certain fast moving products to their lealers while leaving the wholesalers to supply the slower moving ommodities.

Replies to the questionnaire were received from most of the wholesalers who, according to a check of the principal distributors' returns, held market access agreements. When the value of agree-nent sales totalling $3,940,000 was cast against the value of all sales reported by the wholesalers, (excluding Atlas Supply), it appeared that for 1956, when agreement sales showed a sharp increase of 28 per cent over the previous year, such sales averaged 3.0 per cent of total reported sales. In contrast, analysis of the markets for the wholesalers' business has indicated that service station dealers accounted for a substantial proportion of the whole-salers' business in service station products. It therefore seems reasonable to conclude that the volume of business with service dealers as a whole greatly exceeds the volume done by wholesalers under market access agreements. Because of a number of known changes in the pattern of distribution of service station products since 1956, it is impossible to say whether agreement sales have increased in significance since 1956. While the above analysis may appear to minimize the significance of sales under market access agreements, it should be pointed out that such sales account for some wholesalers' total sales of a commodity and for other wholesalers, a substantial percentage of total sales.

It is of interest to note that when agreement sales of tires and tubes and batteries as reported by the manufacturers and suppliers are added to the total agreement sales of wholesalers, a total close to $25,271,900 is reached for 1956. This may be compared to a total of agreement sales reported by the principal distributors of $26,015,000 for the same year.

Another aspect of sales under market access agreements is their value in commissions to the principal distributors. While complete data on commission payments by wholesalers could not be obtained, those reported totalled $208,900 and $256,000 in 1955 and 1956 respectively. It is estimated that commission payments averaged 6.9 and 6.7 per cent of reported agreement sales in the same years. The percentages were somewhat higher in the four western provinces. This is in part because a number of large wholesalers in the west have considerable sales of tires and tubes on which commissions paid may be more than twice as high as those paid on accessories. Although commissions represent a proportion close to 7 per cent of agreement sales, when cast against reported total sales by wholesalers (excluding Atlas Supply) they represented only 0.17 and 0.20 per cent in 1955 and 1956. The picture thus presented probably exaggerates the importance of commissions somewhat because the returns which were received from agreement-holding wholesalers appeared to cover sales by such distributors more completely than did the returns from non-agreement-holding wholesalers.

Data on market access commissions received and reported by the principal distributors indicated totals of $2,184,300 in 1955 and $2,519,800 in 1956 - 9.8 and 9.7 per cent of reported agreement sales in the same years. In 1956 about four-fifths of commissions came from sales of tires and tubes.

2. Types of Service Stations

The character of service stations has changed since their first appearance about 1908 and is continuing to change today. Four types of stations among the principal distributors' networks were described: company owned and operated stations, company owned or leased stations operated by lessee dealers, financially assisted stations, and independent, brand stations. Of the 36,471 service stations reported by the distributors as of January 1, 1958, 0.9 per cent were company owned and operated; 25.6 per cent were lessee operated; 15.4 per cent were financially assisted and 58.3 were independent, brand stations of which about two-thirds had equipment on loan from the distributors.

It is clear that the lessee operated and independent, brand stations are the two most important types of stations. The early service stations were most frequently independently owned and offered a considerable range of repair services. The expansion of the trade, particularly in urban centres placed greatest emphasis on company owned or leased stations which are operated by lessees and which originally offered little more than petroleum products for

ale. The current trend is not only toward an increasing proportion f lessee operated stations, but also towards provision of more xtensive repair services and the sale of a wide range of service tation products by these outlets.

On January 1, 1958, the four largest station networks - nperial, B.A., Texaco Canada and Canadian Oil - accounted for 0.4 per cent of the total number of service stations noted above. Then stations of subsidiaries of these distributors are included ne proportion increases to 65.5 per cent. Irving, Shell, Supertest, nd Canadian Petrofina stations made up 20.1 per cent. Another 2.0 per cent was accounted for by North Star, Cities Service, eliance, Sunoco, Anglo American, Standard and Royalite. Thus fteen* of the principal distributors together with their subsidiaries ccounted for 97.6 per cent of service stations.

The different types of service station are not on the verage equally important in the value of sales made. An analysis as made of the relative importance of the four types of service tation in the sale of gasoline, lubricating oils and greases. In only ne service station network out of 24 for which data were available, ere lessee operated stations relatively less important on the average, neasured by gross sales of gasoline, than independent, brand stations. n the case of a number of networks lessee stations on the average sold everal times as much gasoline as independent, brand dealers. For a najority of station networks, lessee operated stations were also elatively more important in average gross sales of gasoline than inancially assisted stations. The relative importance of lessee perated and financially assisted stations, in the case of a majority of etworks, increased vis-à-vis independent, brand outlets between 951 and 1956. For a number of principal distributors for whom data ere available, the different types of stations appear to have assumed he same relative importance in the sale of lubricating oil and grease s in the sale of gasoline.

In the competition for consumers' patronage, the selection f the service station site is one factor of particular importance. In his respect the company-owned type of station would appear to be the nost satisfactory way for a principal distributor to ensure control ver a desirable location. Lessee operation of such service stations owever would appear to have many advantages over company operation.

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* North Star has been acquired by Shell and Reliance has merged its marketing facilities with Supertest thereby reducing the fifteen companies to thirteen.

Lessee operated, financially assisted and independent, brand stations are all associated with their supplying gasoline company through some form of contractual agreement such as a lease, mortgage, retail dealer agreement or T. B. A. agreement. Sometimes several forms are used. It is primarily through these agreements that the principal distributors' exclusive full-line forcing and/or directed buying policies are given effect. Responsibility for observance and enforcement usually rests with district field staffs of the distributors. Analysis of copies of these instruments submitte by the different distributors has indicated a number of important points.

(a) Clauses relating to full-line forcing and directed buying policies are ancillary to the main purposes of the different instruments. They are almost invariably coupled with provisions for exclusive dealing in the products of the principal distributor.

(b) Leases usually contain exclusive full-line forcing clauses covering petroleum products and they commonly are extended to cover all other products dealt in by the lessor. Directed buying provisions are also contained in some companies' leases. Advertising on leased premises remains under full authority of the lessor. This may afford a measure of control over the dealer if the specific full-line forcing clauses are of limited application.

(c) Retail dealer agreements almost invariably contain exclusive full-line forcing provisions and clauses giving control of advertising to the supplier. In many instances, non-petroleum products are included in this agreement although also covered in supplementary instruments such as T. B. A. products agreements.

(d) Equipment loan and conditional sales agreements provide for the use of the equipment concerned for dispensing only the distributor's products.

(e) Mortgages commonly contain exclusive full-line forcing and exclusive control of advertising provisions. A retail dealer agreement providing such control is executed in conjunction with the mortgage as a supplementary contract. Directed buying provisions are included in some companies' mortgages. It is a common practice for distributors to fix a minimum duration for mortgage contracts and the mortgage

cannot be paid off completely before expiration of the period. This guarantees the operation of all clauses in the contract for that period.

(f) Although directed buying provisions may not be expressly contained in leases or mortgages, these instruments are sometimes executed only on condition that the dealer undertakes to abide by the distributor's directed buying policy. Such undertakings are usually verbal. Moreover, the possibility of varying the amount payable by the dealer, as well as clauses on operation and management contained in a lease, provide possible means for obtaining a dealer's co-operation with the distributor and for enforcing directed buying policies without necessarily naming them. This is particularly important where the dealer must obtain the principal distributor's permission to sell anything not specifically covered by the contracts.

(g) Penalty and cancellation provisions of leases cover breaches of the contracts' clauses including breaches of exclusive full-line forcing and directed buying provisions. The short notice sufficient for cancellation in many leases and the absence of any recourse may be regarded as factors tending toward observance by a dealer of all provisions of the lease.

Supply of Service Station Products to Dealers

The four principal distributors with the largest station etworks supply lubricating oils and greases from their own roduction supplemented in some instances by purchased products. ive others also produce their own oil products and two others their wn greases. The remainder purchase products for resale. No arket access agreements appear to exist covering these commodities.

As to anti-freeze, the majority of the principal distri- itors purchase this product for resale. Three distributors reported aving market access agreements covering supply of the product. wo have been producing their own brand.

With additives, the pattern appears to be purchase and esale by the distributor either of manufacturers' or distributors' rands.

As to T.B.A. products, supply by way of market access greements is the policy frequently followed. However, in tires nd tubes the two largest principal distributors supply their own rands and eleven other oil companies purchase for resale. In atteries, three of the four largest principal distributors supply

their own brands and eleven others purchase for resale. In accessories a number of companies themselves supply such commodities to a greater or lesser extent. Imperial is the outstanding large distributor with an extended line of accessories. Some principal distributors supplying accessories do not have market access agreements to cover the lines which are handled by their dealers but which they do not sell.

4. Extent and Effects of Full-Line Forcing and Directed Buying Policies and Market Access Agreements

Two detailed canvasses were made of service station dealers - in the Ottawa District in 1954 and 1955 and in Greater Winnipeg in 1957 - in order to determine the degree to which each type of service station was tied to the distributor with which the station was associated or to suppliers sponsored by the distributor.

In the stations of the principal distributors' networks sampled in the Ottawa District - B. A. , Canadian Oil, Canadian Petrofina, Champlain, Cities Service, Imperial Oil, Texaco Canada, Regent, Shell, Sunoco, and Supertest - there is a higher degree of exclusivity for all service station products among lessee operated and financially assisted stations than among independent, brand dealers; that is, the independent, brand dealers exercise wider choice in selecting product lines. As between products, among the independent, brand dealers, the greatest exclusivity appeared with lubricating oils and greases and anti-freeze, and the lowest with accessories. Among the independent, brand dealers not selling their principal distributor's products exclusively, there does not appear to be any strong bias away from this source of supply. With many dealers, the distributors have apparently succeeded in establishing satisfactory relationships. Dealers buying from different sources indicated the following were guiding considerations: accomodation of customers' demands, frequency and rapidity of service by suppliers, completeness of lines carried, availability of supply on consignment, importance of credit card service and, in particular, price.

While there was some evidence of insistence by principal distributors that lessee dealers comply with exclusive full-line forcing and directed buying policies, the majority of such dealers appeared satisfied with their relationship with their distributors. Nevertheless the strong position of the lessor, with means to require compliance if necessary, appears to have been understood and accepted by these dealers, not always without protest. They respected the lessor's easily applied power to cancel a lease or foreclose a mortgage or raise rents. In this regard, the importance of the district staff in

exercising the principal distributor's power has been indicated in that changes in such personnel have sometimes eased strained relations. Some of the forceful demands on lessees may possibly be attributed to zealousness at this level. There was no evidence of insistent demands made by principal distributors on independent, brand dealers.

Material gathered by the Ontario Retail Gasoline & Automotive Service Association in 1958 and sent to the Director indicated some dissatisfaction among dealers in other parts of Ontario with their principal distributors' exclusive full-line forcing and directed buying policies. While the number of complaints seems very small in relation to the number of dealers in Ontario, it is interesting to note that the principal distributors concerned appear to have taken strong exception to open display or advertising of competitive products on the stations using their identifying names and colours.

In the Greater Winnipeg survey, seven company owned and operated stations were encountered, in addition to the lessee operated, financially assisted and independent, brand stations met with in the networks sampled. The principal distributors concerned were: Anglo American, Anglo-Canadian, B.A., Canadian Oil, General Oil, Imperial, North Star, Radio and Texaco Canada. Where possible in this survey service stations were classified by size based on volume of gasoline sales. Two size classes - large and medium - could be distinguished in sufficient numbers to give some indication as to the significance of size as a determinant of a dealer's position vis-à-vis his supplying distributor.

Whereas in the Ottawa District, which included a considerable rural area, 59.8 per cent of the service stations were independent, brand and 35.6 lessee operated in Greater Winnipeg, 25.9 per cent were independent, brand and 67.6 lessee operated. The proportions of financially assisted dealers were almost the same in both areas. This lends support to the conclusion that in urban areas where service station expansion has doubtless been greatest, the principal distributors have shown a preference for the lessee operated station. The predominant position of lessee dealers in Greater Winnipeg was reflected in the networks of the three largest distributors - Imperial, B.A., and North Star - where substantial majorities of dealers were lessees.

Findings on exclusivity of different products in the different types of stations were similar in Greater Winnipeg to those noted in the Ottawa District. Size of station appeared to affect exclusivity only among independent, brand dealers where large size stations more frequently than medium size stations appeared to have

exercised independent choice between products supplied or sponsored by their distributor and products supplied by outsiders.

Among independent, brand dealers in Greater Winnipeg, there was no evidence of insistent demands by the principal distributors that dealers handle the T. B. A. products supplied or sponsored by the distributors. Among lessee dealers for Imperial, B.A., Canadian Oil, Texaco Canada, North Star, and Radio, there were some claims that these distributors insisted on compliance with their full-line forcing or directed buying policies. While some dealers indicated they regarded the insistance as moderately heavy, the majority appeared to regard it as light. Among those dealers who indicated their principal distributors made demands upon them, complaints of threatened or hinted cancellation of leases, evictions, or rent increases were common and it was alleged that offending competitive stock or advertising was removed or instructed to be removed by distributors' field staffs. These were the most significan types of complaints. It must also be noted that satisfaction about thei relationship with their principal distributors was expressed by a number of the dealers who nevertheless, complained of distributor demands. The majority of lessee dealers indicated no pressure on the part of the principal distributors. In this area as in the Ottawa District the importance of district personnel as a possible source of friction was also indicated.

In Greater Winnipeg there were numerous dealers, particularly among the independent, brand class, who dealt in products competitive with those sold or sponsored by their principal distributors. These products obviously found acceptance among such dealers in competition with their principal distributor's products prices and service.

Opinions and views expressed by manufacturers and wholesalers of service station products on the importance to themselves, the trade, and the public of the principal distributors' exclusive full-line forcing and directed buying policies and market access agreements have been quoted above. No attempt will be made here to summarize these views although they will be discussed below. Likewise no attempt will be made to summarize the views of the principal distributors quoted above concerning the purpose of their policies in these matters or concerning steps taken to win the service station dealers' compliance with such policies. These also are discussed below.

B. Analysis of Exclusive Trading Practices

This section examines the practice of "directed buying" and its economic relationship to other practices which belong to a group described generically as "exclusive trading" [9, p. 133].

These practices have become established in the distributive trades; they have commonly accepted names and definitions; and they have been discussed in economic and trade literature. "Directed buying" appears to be a comparatively new form of activity in the distributive trades where changes and adaptations of business practices constantly arise. The following sets out definitions of the important exclusive trading practices and describes the incentives to, and the effects on competition of their use.

1. Forms of Exclusive Trading Practices

The term "exclusive trading" has been applied to a group of practices which have the common aim of enabling a supplier (or buyer) to reach forward (or backward) in the productive or distributive process to control business policies at subsequent (or preceding) stages by preventing a buyer (or seller) from having free access to competing suppliers (or buyers), [9, p. 134; p. 194].

The names and definitions of some of the well-known practices include the following:

(a) Exclusive dealing: a supplier secures exclusive marketing outlets by arranging with dealers to handle his product to the exclusion of the products of competing suppliers [20, p. 914].

(b) Exclusive use: a supplier requires buyers to use only his product or service in the production of other products or services [20, p. 914].

(c) Exclusive agency: a supplier agrees to sell to only one dealer in a given area [9, p. 134].

A less frequently referred to practice is;

(d) Exclusive supply: a supplier agrees to dispose of his entire supply of a commodity to one dealer [33, p. 160].

Two exclusive trading practices which have somewhat different economic consequences than the four just defined [20, p. 942] are:

(e) Tying arrangements: a supplier agrees to sell or lease one commodity on the condition that another commodity is purchased or leased [20, p. 914].

(f) Full-line forcing: a supplier agrees to sell or lease to a dealer on the condition that the dealer will buy or lease a full line of the supplier's goods [27, p. 356].

These definitions are not necessarily mutually exclusive.

Written agreements may be executed in connection with the above arrangements. On this point one authority states:

". . . All three types of arrangement [exclusive use, exclusive dealing and tying arrangements] are sometimes accompanied by or may even take the form of a requirements contract . . . [20, p. 914]."

This appears to classify a requirements contract not as a separate practice but as an instrument designed to enforce exclusive arrangements. Most definitions identify requirements contracts as contracts which require buyers or lessees for a specified time to buy or lease all or a percentage of their requirements of certain goods from a particular seller or lessor [8, p.6,102; 20, p. 914; an exception is 33, p. 147]. In addition the contracts may provide that the seller agrees to sell to the buyer all of the buyer's requirements [20, p. 914].

In connection with these definitions, the following points should be noted: the supplier concerned may be a group of associated firms, [9, p. 134]; the exclusive trading arrangement may apply only to a part of the trade between the supplier and the dealer, [8, Vol. 1, p. 6,102]; the exclusive trading arrangement may apply to a limited time period, [20, p. 914; 33, p. 147]; the exclusive trading arrangement may be enforced, loosely or rigidly; the exclusive trading arrangement may be oral or written, [20, pp. 919-920]; there may be one or more tied products involved in tying arrangements.

Exclusive dealing may involve an exclusive agency or a tying or a full-line forcing agreement (the type of agreement which in this inquiry has been called "exclusive full-line forcing") and an exclusive use contract may involve an exclusive supply or a tying or full-line forcing agreement. A dealer may voluntarily handle one product to the exclusion of competing products where the returns are high. However where he is to handle a less well-known or more-expensive-to-handle product, or one requiring considerable investment in inventory, the dealer may be in a position to ask for an exclusive agency [9, p. 135; 20, pp. 920-921].

2. Directed Buying

This inquiry is concerned, of course, with the arrangements whereby oil companies require or prevail upon their service station dealers to buy only the service station products sold by the oil company or those sold by another supplier recommended to the dealers who is willing to pay the oil company a commission for access to the dealers. The first practice, that of a company requiring its dealers to handle its own brands or lines of service station products, is clearly a type of full-line forcing and tying arrangement. The second practice, that of a company requiring or prevailing upon its dealers to buy from a recommended outside supplier, cannot easily be classified as one of the practices identified above, even though it exhibits characteristics of both tying arrangements and exclusive dealing. The files in this inquiry contain references to these arrangements in various terms, such as "exclusive supply contracts" and "tied service stations". An article in a trade journal referred to "fenced-in service stations"* and one wholesaler in reply to the questionnaire used the terms "restrictive" or "directive" buying. The most satisfactory term for this practice appeared in a Canadian trade journal in an article from which the following extract is taken:**

> "Long one of the thorniest problems in the retail and wholesale segments of the automotive industry, the question of what wholesalers term 'oil company tied sales' and what retailers dub 'directed buying' is being investigated by the Combines Investigation and Research Branch of the Department of Justice in Ottawa."

The term "directed buying" seemed an apt name for the practice being studied and a definition of the term as used in this Statement is given here:

> Directed Buying: a supplier agrees to sell or lease one commodity on the condition that the dealer purchase another commodity from a supplier specified by the first supplier.

A typical agreement of this sort is one in which an oil company agrees to lease a service station to a dealer or to take a mortgage on a service station specifying as a condition of the lease or mortgage that the service station operator purchase his gasoline and

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* Jobber Topics - January, 1959.

** Automotive Retailer - February, 1959, p. 7.

petroleum products from the oil company and his T.B.A. products from suppliers specified or approved by the oil company.

An important aspect of directed buying is the arrangement which the supplier controlling the retail outlets usually makes with the specified supplier for access to the "fenced-in" or "captive" retail outlets. In return for granting access and promoting the sales of the specified supplier, the supplier controlling the retail outlets receives a commission on all sales made to the dealers under the agreement. This arrangement has been called a "market access agreement" in this inquiry and was defined in Chapter 1, p. 3.

It should be noted that the practice of directed buying could exist without market access agreements. The second supplier may be a subsidiary of or may be linked by common ownership to the first supplier, or it may have a market sharing agreement in the tied product with the first supplier. While in such circumstances no direct payments to the first supplier need be involved, financial advantages would be implicit in the arrangements.

Directed buying as indicated above is similar in some respects to both tying arrangements and exclusive dealing. The supplier of a particular commodity or line of commodities agrees to supply a dealer on the condition that he purchase certain other "tied" products from designated suppliers. The relationship between the principal supplier and the dealer is usually on an exclusive dealing basis. The dealer's relationship with the specified suppliers is also commonly one of exclusive dealing. If exclusive dealing with a single specified supplier is not a requirement, dealing is restricted to a small number of such preferred suppliers.

3. Economic Significance of Exclusive Trading Practices

It was noted earlier that exclusive trading practices have the common aim of enabling a supplier (or buyer) to exert control over subsequent (or preceding) stages of the productive or distributive process. They are a manifestation of market power and market power may arise from such sources as control of scarce commodities, superior technological or financial position, or successful product differentiation. Even without exclusive trading market power will of course affect competition in the market for the product of the supplier (or buyer). With exclusive trading, market power is used to isolate a certain area of the market from competition i.e. to augment and re-inforce existing market power [9, p. 137; 33, pp. 149 and 152]. The importance of the effects of these arrangements on competition will depend on the extent of the market from which competitors are excluded, on the height of the barriers to entry

which are raised, and on whether these arrangements, on balance, lead to economies for producers, distributors, and consumers.

In discussion of the economic significance of exclusive trading, the literature tends to avoid absolute standards and to discuss these practices on the bases of whether they are more competitive than monopolistic and whether a large or small proportion of the market is affected. This may be partly because much of the discussion has arisen after the United States Supreme Court, in a precedent-setting judgment*, determined the legality of certain exclusive trading activities, prosecuted under Section 3 of the Clayton Act,** on the basis of the absolute volume of commerce involved and the proportion of the market covered by the exclusive trading agreements.

(a) Incentives to Exclusive Trading (excluding Directed Buying)

Product differentiation and the manufacturer's growing recognition of his strength in forming and holding "good will" lead one authority to point out that the impetus towards exclusive trading generally comes from the supplier [7, p. 136]. A supplier's desire to have a more predictable market and "more certain and reliable" contact with consumers respecting price and volume of sales and, in some instances, servicing, without actually resorting to owning or operating sales outlets may induce him to enter the limited vertical integration of exclusive trading [9, p. 135]. Some incentive for the

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* "Standard Stations Case": discussed below p. 281.

** Section 3, Clayton Act;

"That it shall be unlawful for any person engaged in commerce, in the course of such commerce, to lease or make sale or contract for sale of goods, wares, merchandise, machinery, supplies or other commodities, whether patented or unpatented, for use, consumption or resale within the United States . . . , or fix a price charged therefor or discount from, or rebate upon, such price, on the condition, agreement, or understanding that the lessee or purchaser thereof shall not use or deal in the goods, wares, merchandise, machinery, supplies or other commodities of a competitor or competitors of the lessor or seller, where the effect of such lease, sale, or contract for sale or such condition, agreement, or understanding may be to substantially lessen competition or tend to create a monopoly in any line of commerce." October 15, 1914, Chapter 323, Sec. 3, 38, Stat. 731, 15 United States Code, Sec. 14.

dealer to be party to exclusive trading arises from the possibility that he may reduce costs by getting some relief from advertising expenditures, or the possibility that he may make existing advertising costs more productive. Other incentives may involve providing him with special discounts and allowances, or equipment or technical advice. Also, because his sales are concentrated on one line, a dealer may be able to carry a smaller total inventory while providing a full range of the branded products [9, pp. 135-136]. For a dealer entering an exclusive dealing arrangement voluntarily, such incentives together with the opportunity to obtain the product involved would presumably outweigh any disadvantages of the arrangement.

(b) Incentives to Directed Buying

The practice of directed buying is certainly almost solely undertaken on the initiative of the suppliers, either the supplier who has market control over the dealers or the specified supplier. The principal supplier may look upon directed buying as an alternative to diversification. He may consider the commission received from market access agreements as a return on the economic power he has developed in the market for his product which may result in providing him with higher than normal returns or which may be required to offset the uneconomic distribution of his product. The specified supplier will be motivated by incentives similar to those which lead a supplier to enter into other forms of exclusive trading. For him, the commission paid may be less costly than expenditures made directly to build up sales or to create product differentiation and thereby isolate a proportion of the market for his products, particularly if the establishment of retail outlets is avoided. The commission may be regarded as a fair payment for assistance from the principal supplier. There may be savings arising from consolidation of deliveries or reduction in sales promotion activities.

For the dealer, the directed buying requirements are additional conditions he must accept in order to obtain the tying product or line of products. It is possible that as a result some advantages may accrue to him similar to those advantages noted above which are incentives for dealers to enter exclusive dealing arrangements. However, it does not appear that such advantages are likely to be significant in the case of the products involved in directed buying.

(c) Effects on Competition of Exclusive Dealing, Use, Agency and Supply

Where the product involved in exclusive dealing, use, agency or supply agreements is homogeneous, one authority suggests it is likely that deleterious effects will derive from the agreements only in the circumstances where they are uniformly used by all

existing sellers, thereby making it difficult for a newcomer to obtain outlets for his products, particularly where the number of outlets cannot be substantially increased [33, pp. 150-152]. Where the product is differentiated, exclusive dealing, use, agency and supply agreements may be the principal instruments for exercising the market power arising from the product's differentiation.

A number of factors must be considered when determining the effects of these agreements on competition at the supplier level. The following are those mentioned by certain authorities

(i) "The proportion of business done by dealers tied up by the arrangement."

(ii) "The status within the industry of the supplier using the arrangement, and the degree of competition within that industry."

(iii) "The extent to which other suppliers are also using the device."

(iv) "The duration of the arrangement and the rapidity of product and price changes within the industry."

(v) "The likelihood that other suppliers may be able to establish their own distribution outlets, or get new, independent dealers to handle their products."

(vi) "The effect of the arrangement in reducing the costs of the supplier using it."

[20, pp. 923-926]

These same authorities also discuss two factors which have to be considered when determining the effect of exclusive trading on competition at the dealer level. They are:

(vii) "Its effect on bringing additional dealers into the market. Exclusive dealing may force a supplier to establish his own outlets, or encourage others to set up such outlets, and thus increase the number of dealers. They may intensify competition among dealers, although it may also result in an excessive number of dealers, with resultant waste and increased cost to consumers."

(viii) "The extent to which the arrangement significantly reduces dealer costs when accompanied by a requirements contract."

[20, pp. 926-927]

Another writer, noting that, for the period of the agreement, the dealer is not free to make purchases from other sources even if the goods are offered at better terms, stated:

". . . Every sale excludes all potential competitors from the portion of the market represented by that particular transaction . . . the essence of the competitive system lies in competition before each sale . . . A requirements contract, however, increases the interval between 'sales'. Competition has fewer opportunities to exert its influence; it centers about the expiration dates of the contract instead of about individual order dates."

[33, pp. 148-149]

Concerning the effects of exclusive trading on the consumer, the following remarks have been made:

"Ultimately, exclusive arrangements may hit the consumer. If entry of new supplier firms into the market is made more difficult, and existing firms are hampered in their expansion or deprived of existing outlets, the consumer suffers in higher prices, lower quality, or both. Apart from harm to the consumer resulting from lessening competition at the supplier level, exclusive dealing may cause additional harm by restricting the consumer's choice of products and thus repressing competition at the dealer level, particularly in the small community. Even if exclusive dealing occasionally brings more dealers into the business, the results may be to increase distribution costs and hence to increase consumer prices."

[20, pp. 922-923]

In a situation where there are competing networks of retail outlets organized under exclusive trading arrangements, increasing the numbers of outlets within these networks will not provide the consumer with any wider selection of goods, but only with more convenient sources; and this convenience may not in fact be provided without increasing costs.

(d) Effects on Competition of Tying Contracts and Full-Line Forcing

Distinctive features in full-line forcing, whether involving xclusive dealing or not, and tying arrangements, [20, pp. 942-944] re that the supplier furnishes the dealer with a product or products n the sale of which he enjoys considerable market power on condition hat the dealer or user also purchase some product or products vhich otherwise would be available from the supplier's competitors. These trading arrangements can occur in conjunction with some form f legal monopoly, for example, in conjunction with the sale of some roduct covered by patents or copyrights. However, this is by no neans a necessity. The opportunities to obtain scarce products or to uy the tying product more cheaply are inducements for dealers to nter into these arrangements. It is market power over the tying roduct which is used as leverage to sell the tied product by isolating art of the market for this product [20, p. 944]. Commenting on this oint, two authorities have stated:

> ". . . when economic power over the controlled product is used as leverage to market the tied product, harm to competition is reasonably certain . . . Competition among suppliers of the tied product is lessened, if not eliminated, not because one supplier has a better product or offers better prices, but because he has a degree of market control over an altogether different product."
>
> [20, p. 944]

The effect on competition in the market for the tied roduct or products is determined largely by the proportion of that narket which is controlled by the economic power associated with he tying product. The same writers argue [20, pp. 945-946] that, f there were economic benefits in handling the tied product with or vithout the tying product, then one might assume this would be done vithout any special arrangements. The existence of the tying clauses ndicates that, whatever advantages accrue from handling the tied roduct, they are not sufficient to overcome the disadvantages and hat it is only by using the "leverage" of some other product that ying agreements can be obtained. Thus market power in the tying roduct augments whatever market power may have existed in the ied product or line of products. An exception to this general rgument described by these authors is of interest:

> "There may be a few exceptional situations, however, in which the tying arrangement results not from market control over one product, but because it serves a useful economic purpose not necessarily harmful to competition. In such a case, its effect on competition can only be ascertained by weighing all relevant economic factors . . .

An example is the practice of leasing to producers unpatented machinery, readily obtainable on the market, on condition that the lessee will only use the machinery with supplies purchased from the lessor. The saving in the initial cost of the machines is the inducement for the lessee to enter into the arrangement, even though he may ultimately pay for the machine in rentals and the price of the supplies. This arrangement could benefit competition in the lessee's industry if entry into that industry is facilitated by the lease arrangement because of the amount of capital required to purchase the machinery. Whether it is harmful to competition depends upon many of the factors set out in our earlier analysis of exclusive dealing and use arrangements." [Cited above pp. 275 and 276].

[20, pp. 947-948]

One authority points out that tied sales always,

". . . raise the barriers to entry in the market of the tied good to the level of those in the market for the tying good. . ."

[18,p. 157]

The seller who would supply the tied good or line of goods must on entering the market also supply the tying good since he must be able to displace the whole package which the tying seller offers [18, p. 157]. It may be difficult if not impossible to develop an alternative or substitute for the tying product.

(e) Effects on Competition of Directed Buying

There are three markets to be examined when evaluating directed buying arrangements: the primary supplier's market, the designated supplier's market and the dealer's market which represent portions of both these suppliers' markets.

By entering into market access agreements with specified suppliers, the principal supplier has diversified his array of products This is similar to establishing a long or "full" line of products and many of the effects on competition will be the same as with full-line forcing. Moreover, the principal supplier will have tended to raise the barriers to entry for his potential competitors who may have to provide a similar array in order to gain access to retail outlets. This may be difficult to do because without having already established a place in the market for the principal product, potential competitors may not be able to interest secondary suppliers in similar market access agreements.

Under directed buying, the principal supplier exercises is market power to isolate from competition a portion of the market or the specified supplier's product. Having had a portion of his market thus isolated, the specified supplier acquires, to a certain egree, the market power of the supplier selling him access. That is, e effect on competition in this isolated portion of his market is not etermined solely by the specified supplier's own market power but a large extent by that of the principal supplier.

In this inquiry, it has been noted that principal suppliers equently do not grant specified suppliers exclusive rights to sell to eir controlled dealers. Where a single specified supplier serves e group of dealers he will in effect have exclusive access even ough the access agreement may not so specifically state; the effects n competition will be the same as the effects of exclusive dealing. here a preferred list of specified suppliers is set up, the effects of e directed buying policy on the markets of competing suppliers ithout agreements will be much the same as if one supplier had xclusive access. Those on the preferred list will have effected what ould be a significant reduction in competition in this portion of their arket.

For the dealer the necessity to accept the directed buying olicies of the principal supplier curtails the market in which he rdinarily would purchase the products sold by the specified suppliers. here the specified supplier has exclusive access to the dealer, the ealer can exert little buying power to affect prices, quality of product r other aspects of his purchasing. If he wishes to sell the commodi- es involved he is compelled to accept whatever terms or products re offered him. Where a preferred list of specified suppliers is set p, the dealer's buying power has some opportunity to influence ompetition.

The exclusion of non-specified suppliers from access to ealers could discourage that elimination of excess or high-cost apacity which the operation of ordinary market forces should bring bout. For example, the supplier who offers to pay the highest ommissions to the principal supplier and not necessarily the most fficient and economic supplier, may be the one specified by the rincipal supplier. Moreover, channels to the consumer market for on-specified suppliers will be curtailed, thereby imposing operating ifficulties on such suppliers and raising the barriers to entry for ew suppliers. Where wholesalers have acquired preferential or xclusive access to the dealer market, they gain additional market ower which may be used to induce their suppliers to grant them ore favourable trading terms or discounts than would otherwise be arranted.

The higher costs at the manufacturing and distributive levels to which directed buying and other exclusive trading practices may lead, are of particular concern to the consumer. If higher costs have to be met, suppliers would be less likely to accept the alternative of lower profits than to try passing them on in their selli prices. In the end it is likely that the consumer would have to pay f any lower efficiency in distribution, or excess distributive capacity, or for slower technological progress and product improvement, or would have to be satisfied with fewer choices available among products.

It is no doubt true that considerable imperfection exists in the market because of inadequate consumer knowledge, discernment and ability to shop around. For the consumer such imperfecti increases the importance of any protection afforded by dealers who are free to seek out the best products at the best price and who can provide their customers with the benefits of their advice. In view o what was said above about commissions, it may not follow that a principal supplier with a directed buying policy can provide the protection which his controlled dealers cannot give.

The advantages which exclusive trading practices, including directed buying, may confer on the particular parties involved have been referred to. These benefits are least likely to b outweighed by disadvantages to the public where the practices are nc commonly followed in the trade as a whole and where they involve insignificant proportions of the market. In these circumstances, th benefits accruing to individual companies may add to their competiti strength. However, where a majority of companies in the trade follow exclusive trading policies, and particularly where substantial proportions of the market are accounted for by these companies, there would appear to be danger of an overall detrimental effect on the market for the products affected which would be additional to the restrictive effects of particular exclusive trading agreements.

In summary, exclusive trading practices restrict the fre flow of trade between the different stages of the distributive process Under most circumstances, tying arrangements and full-line forcing whether involving exclusive dealing or not, are very likely to be detrimental to competition. With directed buying more consideratio must be given to circumstances which may possibly make the practi on balance beneficial to the public. In the case of exclusive dealing, use, agency and supply, many factors must be considered in order to determine whether, on balance, these practices may be beneficial or detrimental to the public.

C. Experience with Exclusive Trading Practices in the United States

This section gives a brief outline of the treatment of exclusive trading practices in the United States. References in Appendix VI provides greater detail about the American experience.

Under United States legislation, tying and exclusive dealing arrangements are specifically dealt with by Section 3 of the Clayton Act (See foothote, p. 273 above). Certain exclusive dealing agreements have also been held to be unfair trading practices and unlawful under Section 5 of the Federal Trade Commission Act* [8, Vol. 11, p. 10, 161 and 2]. Where the exclusive trading restrictions have been part of an illegal combination, they may also be condemned under Sections 1 and 2 of the Sherman Act.**

Remedies available under the Clayton and Federal Trade Commission Acts to deal with these practices are:

(a) A civil suit by the Government for an injunction to restrain the defendant from enforcing the restrictive provisions.

(b) Civil actions by private litigants either for an injunction or triple damages.

(c) Cease and desist orders of the Federal Trade Commission.

In the following paragraphs a number of leading court judgments under Section 3 of the Clayton Act, which are relevant to this inquiry, are considered.

Although earlier cases dealt with tying arrangements, the Standard Stations case*** has been generally regarded as a landmark in this field. It concerned arrangements identical with

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* September 26, 1914, Chap. 311, 38 Stat. 717, as amended; 15 United States Code, Secs. 41-58.

** Sherman Anti-trust Act, 26 Stat. L. 209 (1890), as amended; 15 United States Code (1952) Secs. 1-7.

*** Standard Oil Co. [of California] v. United States, 337 U.S. 293, 302 (1949).

many reviewed in this inquiry. At issue in the Standard Stations case were the exclusive dealing agreements made by Standard Oil Co. of California with its dealers whereby such dealers were to obtain their "requirements" of petroleum and T. B. A. products exclusively from Standard Oil or from suppliers "sponsored" by the Company. Inducements to the dealers offered by Standard Oil to obtain their agreement included lending money to the dealers at rates of interest below current rates and furnishing equipment at prices below cost or at no charge. The trial court in June 1954, held that these exclusive agreements restrained trade under Section 1 of the Sherman Act and were also illegal under Section 3 of the Clayton Act. On appeal the Supreme Court of the United States found that the qualifying clause of Section 3, of the Clayton Act,

> ". . . that the effect of such lease, sale, or contract for sale, or such [exclusive] conditions, agreement or understanding may be to substantially lessen competition or tend to create a monopoly . . ."

had been satisfied by

> ". . . proof that competition has been foreclosed in a substantial share of the line of commerce affected. It cannot be gainsaid that observance by a dealer of his requirements contract with Standard does effectively foreclose whatever opportunity there might be for competing suppliers to attract his patronage, and it is clear that the affected proportion of retail sales of petroleum products is substantial . . ." [7,p. 63, 243]

The facts were that the requirements contracts affected 16 per cent of the independent service stations.* Their retail sales amounted to $58,000,000 or 6.7 per cent of total sales in the relevant area - the Western Area; Arizona, California, Idaho, Nevada, Oregon, Utah and Washington. Sales by stations owned by the Company constituted 6.8 per cent of the total. The Court appears to have condemned the agreements on the ground that the defendant had the power and design to handicap competitors unreasonably. The Court also appears to have regarded such agreements as anti-competitive and objectionab[le] when used by dominant firms to hold their position in the market, where the effect if not the purpose, may be to exclude competitors over a wide market area, and to inhibit new entrants. The Court rejected the argument that such exclusive trading arrangements were a device for increasing rivalry between the large companies dominating that section of the petroleum market [17, pp. 313-337].

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* That is, stations not owned by the oil companies.

The decision of the Supreme Court in the Standard Stations case was not unanimous. Three judges took the position that:

> ". . . The number of dealers and the volume of sales covered by the arrangement of course was sufficient to be substantial. That is to say, this arrangement operated on enough commerce to violate the Act, providing its effects were substantially to lessen competition or create a monopoly. But proof of their quantity does not prove that they had this forbidden quality and the assumption that they did,without proof, seems to me unwarranted." [7, p. 63, 246]

One other judge said:

> " The Court answers the question [whether there is a substantial lessening of competition within the meaning of the anti-trust Laws] for the oil industry by a formula which under our decisions promises to wipe out large segments of independent filling station operators. The method of doing business under requirements contracts at least keeps the independents alive . . . But the alternative which the Court offers is far worse from the point of view of both. [the independent dealers and the nation]. The elimination of these requirements contracts sets the stage for Standard and the other oil companies to build service station empires of their own . . ." [7, 63, 245 and 63, 246]

Another recent case* in this area led to a consent judgement. At issue were the operations in the United States Pacific States Area of seven major oil companies and a conservation association of oil producers. These were held to constitute a combination and conspiracy to restrain trade and commerce unreasonably and to monopolize the production, transportation, refining and marketing of crude oil and refined petroleum products in the area contrary to the Sherman Act. Among the detailed charges it was alleged that the defendant oil companies had adopted a uniform policy of refusing to sell gasoline or other refined petroleum products to any wholesale distributor, jobber, or retail dealer who would not agree to purchase the products of a defendant on a "full-requirements" or "exclusive dealer" basis, or who had had an exclusive dealing or resale price maintenance contract cancelled by any of the defendants for failure to conform to these particular conditions. It was further alleged that this policy foreclosed

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* United States v. Standard Oil Co. of California, et al. (Cir. 11584-C-S. D. Calif. 1950).

independent wholesale and retail markets otherwise available to independent refiners. Among the points of relief requested by the government were:

(i) That each defendant and each of its subsidiaries should be required to divest itself of all right, title and interest in all service stations or other retail outlets then owned by it; that they should be enjoined from acquiring such interests including the acquisition or renewal of any leases in the future; that they should be enjoined from operating, managing, or controlling any service station and from engaging in the retail selling of refined petroleum products; and that the defendants should be required to enter supply contracts for a period at least of three years, which contracts and any lease agreements, could be cancelled only for breach of specific covenants under written notice stating the facts involved.

(ii) That each defendant and each of its subsidiaries should be enjoined from entering any contracts or arrangements with any retail or service station dealer for refined petroleum products which would require such dealer to obtain all or substantially all of his gasoline or refined petroleum products from a particular defendant, or to refrain from handling the refined petroleum products of any other company, or to operate his business during specified hours, or to employ a specified number of employees, or to include specified items or quantities of merchandise in stock; that the defendants or anyone acting on their behalf should be enjoined from using any plan, practice, or device with retail dealers, having as its purpose or effect inducement of such dealers to deal exclusively in the refined petroleum products of a defendan through quantity limitations or such monetary consideratio as rebates, bonuses, subsidies, equipment loans, rental allowances or reductions.*

After consideration of all aspects of the matter and, especially, changes in the marketing picture after May 1950 when the case began, the Court stated that in the event of conviction at trial it would not grant divestiture or divorcement relief of the type asked for by the Government. Subsequently in June, 1959, the consent judgment was entered, containing among other provisions the following:**

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* Idem. p. 47 to 51

** United States Department of Justice news release, June 19, 1959

(a) A requirement that each consenting defendant for a period of ten years would offer (i) to each dealer to which it supplied branded products, a supply contract having a minimum term of three years; (ii) to each dealer who leased premises from a defendant, a lease having a minimum term of three years,

(b) An injunction prohibiting each such defendant from entering into any agreement with a dealer, or making sales to any dealer on condition that, the dealer would purchase all or substantially all of his requirements of any refined petroleum or T. B. A. products from the defendant, or that the dealer would not sell or handle such products obtained from other persons.

The case still remains to be tried against one of the defendant oil companies, Texaco Incorporated, parent company of Texaco Canada Limited.

Judgment was entered on July 1, 1959, in the Eastern District Court of Pennsylvania in a case involving the Sun Oil Company. * This was a civil action brought by the United States Department of Justice alleging violation of Section 3 of the Clayton Act. The judgment held that Sun Oil Company had violated Section 3 when it adopted a uniform policy and practice of requiring its independent dealer service stations (over 6,500) to handle its gasoline exclusively and of requiring such dealers to sell its motor oils, lubricants and sponsored T. B. A. products exclusively as a condition of becoming or remaining dealers for the Company. The T. B. A. products were purchased by Sun Oil Company or received by it on consignment for resale. The Company refused to enter a supply agreement with a dealer unless orally or tacitly he agreed to handle only the Company's products and sponsored T. B. A. commodities and the dealer was not permitted to display signs of competitive products. The Court held that the independent service stations involved constituted a substantial part of the market for the retail sale of petroleum and T. B. A. products in the area affected; that the volume of the Company's sales was substantial; that the sale of competitive motor oils and lubricants had been virtually eliminated from the Company's service stations; that the sale of T. B. A. products not sponsored by the Company had been substantially eliminated from such stations; and that the presence on a dealer's premises of a few containers of competitive products or items of non-sponsored T. B. A. products was not indicative that the dealer was free to handle such products in any quantity that he desired. The Court stated that the Government was

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* U. S. v. Sun Oil Company, Civ. 10483 - E. D. Pa.

entitled to a decree enjoining the Company from inducing, coercing and compelling independent service station dealers with whom it did business to enter into and operate under written contracts, supplemented by oral and tacit agreements, requiring them to purchase petroleum and T. B. A. products exclusively from the Company.

The jurisprudence touching exclusive trading practices has been much discussed. In its Report, the Attorney General's National Committee to study the Anti-trust Laws [39, Chap. 1 and 1V devoted considerable attention to the application of the relevant sectic of the Sherman Act, the Clayton Act and the Federal Trade Commiss Act to tying arrangements and exclusive dealing agreements. The Committee's Report with its conclusions stimulated wide discussion. In its analysis of Section 3 of the Clayton Act, the Committee noted that the section dealt with tying arrangements, including full-line forcing and exclusive dealing arrangements, and requirements contracts. The Committee was concerned with how the Courts determined the legality or illegality of these trade practices. It considered the question of whether the Courts should apply "per se" rules or the "rule of reason" in reaching their decision. Under the "per se" rule certain restrictive practices, once identified and found operative in a case, are conclusively presumed to be illegal. On the other hand, a "rule of reason" approach would require an examination into the effects of the business behaviour in each case. The Committee believed that one kind of tying agreement which on its face came within the ban of the legislation was one which could be used as leverage to extend the market for the tied product beyond the limits which would otherwise be set by independent competition for customer acceptance. In such instances, it felt, the Courts woul need to conduct only a narrow inquiry to identify the practice, and to determine whether the seller held a dominant position in the market for the tying product or whether the arrangement covered a substantial dollar volume of trade in the tied product, before concluding that the practice was banned; the anti-competitive effects would be presumed to follow. [39, pp. 144 and 145, and fn. 60]

The Committee considered that exclusive dealing and requirements contracts raised more complex market problems than tying arrangements. They took the view that there need not be any coercive use of market power in exclusive dealing arrangements and exclusive dealing could promote efficiency and bolster competition in the economy. Because of this, the Committee believed the Courts should determine whether the challenged arrangements in fact foreclosed competitors from a substantial proportion of the market:

". . . In our view, the mere coverage of a substantial volume of commerce by exclusive dealing arrangements, while a factor to be considered, is not tantamount to 'foreclosure' of rivals from access to a substantial market, so that some analysis of particular distributive patterns is essential to any determination of actual foreclosure."

[39, p. 147]

It should also be noted that the Attorney General's ommittee believed that the "actual foreclosure" test it recommended r determining the illegality of exclusive dealing arrangements under ection 3 of the Clayton Act, was also suitable for determining hether such agreements were "unfair methods of competition" ıder Section 5 of the Federal Trade Commission Act.

. Concluding Comment

This inquiry is concerned with the use by the principal stributors of gasoline and petroleum products of full-line forcing, rected buying and market access agreements in the distribution of ısoline and service station products to their networks of service ation dealers. More particularly it is concerned with the effects these practices on competition in the sale of service station oducts. It is important to note that the inquiry is not directly ncerned with the structure of the petroleum refining industry and r this reason, the circumstances and conditions affecting the stribution of gasoline are taken as given. The contracts used to ssociate the different types of dealers with their principal suppliers dicate that, except where the dealer is employed by the distributor receives gasoline on consignment, the gasoline is sold to the ealer on an exclusive dealing basis. In addition, equipment when ɔld or loaned to a dealer carries the proviso that it be used cclusively to dispense the supplier's products. Thus there have ecome established in this country, networks of service stations hich deal exclusively in the gasoline of the associated supplier ıd which are identified by the brand names, colours and symbols hich the suppliers have given or attached to their products. While ere are some small chains of service stations who handle unbranded ısoline or little known brands of minor distributors, as well as a w large independent service stations who handle similar products, ıey account for an insignificant proportion of total sales and of the tal number of service stations. This is not to say that such stations cercise no influence on the local market where they operate, but ıey do not affect the circumstances under study here, except perhaps exacerbate the reactions of individual dealers to the exclusive ealing features of their relationships with their principal distributors.

It should be recalled that the term "service station" as used in this study embraces a number of different types of retail outlet, all associated with a supplier of gasoline by way of a retail dealer agreement which is frequently supplemented by other contract

The distribution of service station products must be examined against the background of established service station networks, the foundations of which are the exclusive dealing agreements in branded gasoline. There may be other contractual ties between the suppliers and dealers, but the determining agreement is the gasoline supply contract. There are generally no intervening wholesale distributors or jobbers between principal distributor and service station dealer and those few which do supply some stations are usually identified with the principal distributor. Moreover there are no refineries of more than minor significance which are not operated by some one of the principal distributors.

From the statistical information reviewed in the summar it is clear that the sale of service station products in Canada represents a market of substantial size to producers, wholesalers and retailers and that service stations are one of the most important channels of distribution although of varying significance depending on the particular type of products involved. It is also clear that the exclusive dealing pattern of distribution adopted by the principal distributors for gasoline has provided the mould within which a large volume of retail trade in service station products is carried on.

In the remainder of this section the effects of exclusive full-line forcing and directed buying on the distribution of each of the different service station products are examined. Many of the effects are common to all. Nevertheless the structure of the market is distinct for each commodity and different aspects need emphasis. In Table 49 are summarized the conclusions reached below for each class of service station product.

Table 49

Proportions of Service Station and Retail Markets Probably Foreclosed to Producers and Wholesalers

			Proportion Foreclosed			
			Service Station Market		Retail Market	
ommodity	Exclusive Trading Practice Involved	Service Station Market as Proportion of Retail Market	to Producers(1)	to Wholesalers(1)	to Producers(1)	to Wholesalers(1)
ub. Oils	Full-Line Forcing	Major Share to Almost All	Major	Almost All	Substantial to Major	Substantial to Major
reases	Full-Line Forcing	Major	Major	Almost All	Substantial to Major	Substantial to Major
nti-freeze	Full-Line Forcing and Directed Buying	Substantial	Major	Major	Significant to Substantial	Significant to Substantial
dditives	Full-Line Forcing and Directed Buying	Major	Substantial	Substantial	Significant to Substantial	Significant to Substantial
ires	Directed Buying and Full-Line Forcing	Substantial	Significant to Substantial	Significant to Major	Minor to Substantial	Significant to Substantial
atteries	Directed Buying and Full-Line Forcing	Significant to Substantial	Minor to Substantial	Significant to Substantial	Minor to Significant	Minor to Significant
ccessories	Directed Buying and Full-Line Forcing	Substantial	Minor to Significant	Minor to Significant	Minor	Minor

1) Without market access agreements and excluding principal distributors.

ote: Approximate proportions represented as follows.

Almost All:	over 90 per cent
Major:	60 to 90 per cent
Substantial:	30 to 60 per cent
Significant:	15 to 30 per cent
Minor:	less than 15 per cent.

(i) Lubricating Oils

These products for automotive use are produced by at least eight of the principal distributors and by at least seven independent suppliers, one of whom sells only to one of the principal distributors. The oil refiners who produce lubricating oils usually are also the suppliers of the basic oils used by the independent producers. Undoubtedly service stations represent the main channel of distribution to the public both for the oil companies and the independent producers. Only a small proportion of retail sales are made through alternative channels not associated with sales of gasolin for example, department stores or automotive specialty stores. While only a minority of the principal distributors produce their own lubricating oils, all but two (for whom there is no information) reported that they supplied the commodity to their dealers. The principal distributors compete with independent producers who rely extensively on direct sales to service station dealers. They also compete with the minority of automotive wholesalers who handle lubricating oils. Oil sales usually constitute only a minor proportion of their total sales, but for some of these wholesalers, service station dealers are the only customers for such oils.

None of the principal distributors indicated that they had any market access agreements with suppliers of lubricating oils nor did any supplier report such agreements. Directed buying policies do not appear to be relevant then to lubricating oils.

Retail dealer supply contracts between the principal distributors and their dealers usually cover all the petroleum products dealt in by the distributors and are full-line forcing in effect. The exclusive dealing feature associated with the supplying of gasoline likewise carries over to the other petroleum products dealt in with only minor exceptions. Moreover, where equipment for dispensing petroleum products or using them in servicing activities, is acquired by the dealer on a conditional sale or loan basis, it is tiec to the exclusive use of the principal distributor's petroleum products. It is reasonable to conclude that such exclusive dealing and full-line forcing practices cover all but a very small percentage of the more than 36,400 brand service stations in Canada.

In the analysis of the different types of service stations, the increasing importance since 1951 of lessee operated and financial assisted stations has been noted. The apparent reliance of the oil companies on using lessee operated stations extensively in urban and rapidly expanding areas is important. They are generally located in local markets where the greatest volume of consumer business is to be found. The analysis also indicated that the higher levels of gasoline sales made through these two classes of stations when

compared with independent, brand stations, carried over into lubricating oils. This probably can be explained by the fact that oil sales are most often made when the consumer is buying gasoline.

The limited evidence obtained in the service station dealer surveys in the Ottawa District and Greater Winnipeg as well as the information on full-line forcing and exclusive dealing policies received from the principal distributors themselves, indicate that the effectiveness of these policies varies. This is particularly evident between the different classes of station. Lessee and financially assisted dealers generally display higher degrees of exclusivity than independent, brand dealers in selling the products of their principal distributors. As between products, lubricating oils are among those dealt in most exclusively. The levels of exclusivity for this commodity in lessee operated and financially assisted stations suggest that little departure from exclusive dealing by these dealers is permitted and that the effectiveness of the principal distributors' policies is virtually complete. With independent, brand dealers, lubricating oils among all products had the highest degree of exclusivity and the level was such as to suggest that the principal distributors enjoy substantial success with their policies with those dealers. Their success however was somewhat less with large size station operators than with medium size station dealers. While principal distributors disclaimed any policy of enforcing exclusive dealing obligations in T. B. A. products, many stated that they expected their dealers to carry only their own petroleum products. There is some evidence that those dealers who are lessees or who have received financial assistance are under greater obligation to co-operate with their distributors and to abide by their contracts in all respects, because with them the principal distributors can take a stricter line.

A number of the independent producers of oils advertise extensively both locally and on a national scale. Several have attained international reputations for quality. What appears to be limited success in their obtaining access to service stations, despite heavy advertising and consumer acceptance, attests in part to the effectiveness of the principal distributors' exclusive trading policies.

On the basis of these facts, there appears to be virtually no competition in the supply of lubricating oils to lessee operated and financially assisted service stations or to a substantial proportion of independent, brand outlets. Each principal distributor has almost completely isolated its service stations for the marketing of its own lubricating oils. The independent producers of lubricating oils unless sponsored by a principal distributor are virtually excluded from the major share of the retail market which lessee operated and financially assisted stations comprise, and from a substantial share of the market represented by the independent, brand dealers.

Some service station dealers carry a few cans of motor oil or other product not of the principal supplier's brand or line, but this does not indicate that competition in the supply of these products to such stations exists. Where such commodities are bought merely to accomodate a few customers or are not openly displayed in the station, these dealers cannot be considered free to handle the goods on a competitive basis. Nor can suppliers compete actively for their business.

(ii) Automotive Greases

The situation in automotive greases is very similar to that obtaining in lubricating oils except that there are five independent suppliers rather than seven and ten of the principal distributors produce their own stock. The remaining principal distributors and ev some of those producing greases, buy greases for resale. Many of these principal distributors appear to buy their supplies from other oi companies rather than from independent producers. An exception is t independent producer of greases which also produces lubricating oils, and sells exclusively to one of the principal distributors. No market access agreements were reported by the principal distributors or independent producers. Directed buying does not appear to be a policy anywhere relevant to the sale of grease.

It appears probable that most automotive greases are sold to the motoring public through service stations, and mainly in connection with the servicing of vehicles. At the wholesale level, the situation is much the same as with lubricating oils, in that a minority of wholesalers deal in greases and the commodity is of minor significance in sales. Nevertheless some wholesalers appear to carry grease for sale only to service station dealers. Like lubricating oils, greases are petroleum products and the principal distributors are interested in selling the commodity in order to offer a complete line of automotive petroleum products to consumers. In doing so, they compete not only with automotive wholesalers but also with most of the independent producers who attempt to sell directly to service station dealers.

The principal distributors' retail dealer supply contracts covering petroleum products include greases and are full-line forcing in effect, and as in oils, are also exclusive in nature; that is, the dealer is not to sell competing products. Moreover the tying agreements associated with conditional sale or loan of equipment using greases, also preclude the sale of competitors' products. It is reasonable to conclude, therefore, that such exclusive dealing and full-line forcing practices cover all but a small percentage of the principal distributors' brand service station in Canada.

In the previous section on lubricating oils, reference vas made to the importance of the lessee operated and financially ıssisted stations in the sales of that commodity. The growing ›ercentage of lessee operated stations was also noted. The analysis ›f grease sales of certain of the principal distributors similarly ›uggests that for many of these companies sales of greases by ndependent, brand dealers were lower than by the other classes ›f station. The reason is likely the same as with lubricating oils; hat is, independent, brand dealers on the average sell less gasoline ınd, fewer customers would mean less grease sales. However, it is ınlikely that grease sales would follow gasoline sales as closely as vould lubricating oil sales because car servicing requiring greases nay be done by garages which do not sell gasoline and which there-'ore would not be classed as service stations.

The two surveys of service station dealers indicated hat the full-line forcing and exclusive dealing policies practised by he principal distributors are not fully effective with respect to greases. Nevertheless the level of exclusivity was very high in the essee operated and financially assisted stations. It was considerably ower in independent, brand stations. It seems reasonable to conclude that among the first two classes of station, very little leparture from the conditions set out in the retail dealer supply contracts is permitted by the distributors and that the effectiveness of the exclusive full-line forcing policies is nearly complete. The exclusivity ranking of greases immediately below lubricating oils among the independent, brand dealers and the comparatively high evel of exclusivity indicates that with this class of dealers, the principal distributors have enjoyed substantial success with their exclusive trading policies. Such success however has been some-what less with large stations than with medium ones. The position taken by most of the distributors about the extent to which they require observance of these policies is the same with greases as with lubricating oils, i.e., they disclaimed any policy of enforcing exclusive dealing obligations in T.B.A. products, but many stated they expected their dealers to carry only their principal distributor's petroleum products.

On the basis of these facts, there appears to be almost no competition in the supply of automotive greases to lessee operated and financially assisted service stations or to a substantial number of independent, brand outlets. Each of the principal distributors has comparatively effectively isolated its service stations from the market for greases. The independent producers not associated with the principal distributors appear to be almost completely excluded from the share of the retail market which lessee operated and financially assisted stations comprise, and from a substantial share of the market represented by independent, brand dealers. While variations in the effectiveness of the exclusive dealing policies of

the different principal distributors may occur, the information received relating to stations in the most extensive networks indicates a high degree of effectiveness. Competition occurs mainly between the brands dealt in by each network and there are comparatively few opportunities for competition to exert its influence on the supply of greases to the individual service station.

(iii) Anti-freeze

Two of the principal distributors reported that they produced anti-freeze. Among the fifteen other suppliers reporting sales, only one was a producer. This company is the largest producer in Canada of ethylene glycol used in the most important type of anti-freeze. No information was received from the other large Canadian producer of glycol. A number of the fifteen suppliers of anti-freeze sold the commodity in their capacity as wholesalers of automotive products and a number were jobbers. None of these independent suppliers reported a market access agreement with any of the principal distributors. While only two principal distributors produced all or part of their own requirements of anti-freeze, 26 purchased the commodity for resale as did one of the two producers. Three distributors reported having market access agreements with wholesalers covering this commodity.

At the wholesale level, anti-freeze is unlikely to account for more than a minor proportion of any wholesaler's total sales. However close to three-quarters of the reporting wholesalers sold anti-freeze and almost as many sold to service station dealers, which were for some wholesalers, their only customers for anti-freeze.

The lack of extensive details on sales of anti-freeze makes it difficult to determine the relative importance of service stations as a channel of distribution to consumers. However the value of sales to service stations reported by the principal distributors when compared with the value of the market at the producers' level for 1955 and 1956 suggests that these retail outlets represent a substantial segment of the retail market. Such sales by the principal distributors may well account for the major proportion of the sales through these outlets but some stock is also frequently obtained by service station dealers from other suppliers. Automotive specialty stores, garages and department stores are among other important outlets where consumers can buy this commodity.

While anti-freeze has been included among petroleum products in this inquiry, it is commonly dealt with separately in the dealer supply contracts and other agreements used by the principal distributors with their service station dealers. The number of the

istributors selling anti-freeze indicates that the exclusive full-line orcing supply arrangements of these companies cover all but a mall proportion of the more than 36,400 stations in the principal istributors' networks. Many of the remaining stations appear to ome under the influence of directed buying policies.

Although the facts are not repeated here the relative mportance of the different classes of service stations in the sale of asoline and oil which was brought out earlier should be recalled. t is also important to note that the usual practice is for a customer o buy anti-freeze only once a year, although some may buy it less requently and some more frequently. Also, it is a commodity which some consumers will put in their automobiles themselves. nti-freeze is sufficiently costly to induce consumers to shop for he best price and this may be obtained from a retailer who does not rovide service as well. Therefore, in spite of basic similarities he pattern of distribution is likely to show some distinct differences rom the pattern for gasoline.

The service station surveys indicated that dealers handle heir principal distributor's brands of anti-freeze less exclusively han their oils. The level of exclusivity was generally considerably ower for independent, brand stations than for lessee operated tations, where it was usually quite high. In financially assisted tations, the level was comparable to the independent, brand stations n the Ottawa District but comparable to lessee operated stations in Greater Winnipeg. Size of station appeared of significance among ndependent, brand dealers where exclusivity was lower on the verage for large size than for medium size stations.

No information on sales of anti-freeze was obtained from ne of the large producers in Canada, a producer who conducts xtensive national advertising for its proprietary brand. This ompany's brand has obtained wide consumer acceptance which oubtless means that there is considerable consumer pressure for etailers of all types to deal in this product. This consumer demand vould be a strong bargaining point for service station dealers who vanted to carry brands other than those of their principal distributors. t also might be a strong competitive factor which principal distriutors would have to take into account in determining their pricing olicies.

On the basis of these facts, it appears reasonable to conclude that, while service stations account for a substantial share f the retail market for anti-freeze, alternative channels of distriution are important. There appears to be no competition in the upply of anti-freeze to most lessee operated stations or to a ubstantial proportion of the independent, brand and financially ssisted stations. Independent anti-freeze suppliers are probably

precluded from selling their own brands directly to a major proportic of the service station market. The difficulty for automotive wholesalers appears to be much the same. Moreover their total anti-freeze business is likely to be limited by the action of the independent producer in selling directly to service stations rather than relying on wholesalers to penetrate this market. Those wholesalers with market access agreements would be in a somewhat more favourable position. However the effects on competition of these agreements and the associated directed buying policies would be similar to exclusive full-line forcing by principal distributors. Numerous wholesalers and some competing brands of anti-freeze still would not have access to the stations covered by the agreements.

The foregoing suggests that each of the principal distributors has been relatively successful in isolating its own station network from competition. The service station surveys indicate that the effectiveness of this policy varies among distributors and that this shows up largely among the independent, brand dealers.

(iv) Additives

Information received on additives was comparatively limited, partly, no doubt, because some products in the commodity group have only recently been developed and marketed extensively. Moreover, while sales by the few producers may assume significant size, sales by individual retailers are likely to remain quite small although they are presently expanding. This commodity group did not receive uniformly detailed treatment by the principal distributors in their returns, partly because additives appear to be regarded by some as merely accessory products. One of the principal distributor reported that it produced additives and that it included them in marke access agreements it held. Two other distributors reported market access agreements covering additives and ten reported purchasing them for resale to service stations. It is not known whether those distributors who did not report on additives separately, treated them as included in accessories and in their arrangements relating to these commodities. Six independent producers reported sales of additives and, for some, such products constituted the major part of their output. None of these suppliers had market access agreements and none produced additives for sale under a principal distributor's own label. Apparently some producers sold to principal distributors for resale as well as directly to retailers. At the wholesale level, additives are unlikely to account for more than a minor proportion of any wholesaler's sales. Nevertheless, most automotive wholesalers deal in additives and usually include service stations among their customers. For some wholesalers service station dealers were their only customers for additives.

The limited information on additives does not permit ccurate assessment of the relative importance of service stations s a source of supply for consumers. However the character of ıe products is such that it appears likely that they would ordinarily e purchased when a motorist obtains gasoline or other automotive roducts or services. Thus the most convenient point of purchase 'ould be the service station, making these outlets, presumably, one f the most important retail distribution channels.

No information concerning additives was obtained from ıe surveys of service station dealers. However if the conclusions ı the previous paragraph are correct, the pattern of additive sales 'ould be somewhat similar to the pattern of gasoline sales; that is, essee operated and financially assisted stations would sell proportion-tely more additives than would independent, brand stations.

It appears that about half the service stations would be ffected by exclusive full-line forcing agreements because of the umber of principal distributors who themselves sell additives. considerable additional number appear to be affected by directed uying policies. Even though it is necessary to disregard the nstances where additives are included in arrangements covering ccessories, it is evident that the proportion of the service station narket affected is substantial. The foregoing suggests that there s virtually no competition in the supply of additives in a substantial roportion of the market covered by exclusive full-line forcing and irected arrangements. It seems quite possible that the same onditions prevail in a substantial share of the whole retail market y reason of the importance of the service station market. To the xtent that producers of additives can sell their products to the rincipal distributors for resale there is opportunity for competition o make itself felt, but opportunities for direct sales to dealers must e limited. For wholesalers, there may be some opportunities to ell to the principal distributors in competition with producers but his would likely be of limited significance as would any opportunities o gain access by way of market access agreements.

(v) Tires and Tubes

Available data does not permit determination of the ctual size of the replacement market for tires and tubes. Likewise, t has not been possible to determine the total sales of these products hrough service stations. Therefore the proportion of the total eplacement market and the proportion of the service station market ccounted for by sales of tires and tubes by principal distributors or nder market access agreements remain unknown. However, the lata on such sales shows that they were substantial in total in 1955 nd 1956, being reported at more than $36,500,000 in the latter year.

Almost all the principal distributors make some arrangement for the supply of tires and tubes to their dealers either by purchase and resale or through specified suppliers. The service stations which were not supplied in these ways or for which there was no information, constituted a very small proportion of the total.

Principal distributors may sign market access agreement with several tire manufacturers giving each preferential rather than exclusive access to the dealers over whom the distributor exercises some control. The specified suppliers may be merely recommended to independent, brand dealers over whom a principal distributor may not be able to exercise control either directly or indirectly. In addition, there may be other dealers who technically are specifically excluded in the market access agreement. These are controlled dealers who were already franchised by the tire manufacturer before the agreement with the oil company was signed. While a specified supplier may not pay commissions to an oil company on sales to such previously franchised dealers, such exceptions obviously would not materially alter the effect of an agreement on competition.

In explanation of their policies on T. B. A. sales by service station dealers, a number of the principal distributors indicated that their dealers were always free to purchase from suppliers of their own choice. This suggests that oil companies have tended to distinguish between T. B. A. products and petroleum products insofar as their marketing policies go, particularly as to the application of full-line forcing.

It is clear therefore that there are difficulties in the way of determining the extent of the principal distributors' full-line forcing and directed buying policies in respect of tires and tubes. It appears that they cover a substantial to major proportion of the service station market for these products, and that the service station market may in turn constitute a substantial part of the replacement tire market. However, while the practices of signing market access agreements and producing private brands for the oil companies are common among the major tire manufacturers, other channels of distribution are used extensively, such as automotive specialty stores, department stores, tire company retail outlets and, of course service stations not bound by oil company policy.

Only a minority of automotive wholesalers handle tires and the importance to each varies greatly. Tires and tubes are of considerable significance to a few wholesalers in the four western provinces where the tire manufacturers do not appear to have developed their own sales organizations as highly as in the other provinces. Most wholesalers dealing in these commodities sell to service station dealers. In some cases they are the only tire

ustomers of such wholesalers.

Financially assisted and lessee operated service stations ell more gasoline than do independent, brand stations and, therefore, each more customers. Yet there are no data available to indicate whether tire sales are proportionately greater in financially assisted nd lessee operated stations. While more motorists may visit such tations, they are generally located where there are more numerous lternative sources of supply.

The surveys of service stations indicated that the levels of xclusivity were generally quite high among lessee dealers but moder-te among independent, brand dealers. Financially assisted dealers anked below lessee dealers but indicated a substantially higher level han independent, brand dealers. The levels of exclusivity in all lasses were noticeably lower in Greater Winnipeg than in the Ottawa District. This may be because of some changes in principal listributor policies or practices in the period between the surveys or t may be due in part to the competitive influence of the more numerous lternative sources of supply usually found in the urban centres. Large ize independent, brand dealers had a noticeably lower level of exclus-vity than did medium size stations. Data available on individual net-works indicated a considerable variation in the levels of exclusivity mong the different distributors reflected particularly by their ndependent, brand dealers. The variations were not always consist-ent in the two surveys although stations in two of the four largest ational networks appeared to have consistently above-average xclusivity levels in tires and tubes.

On the basis of these facts, the principal distributors ppear to have been successful in isolating lessee operated stations rom competition in the supply of different brands of tires and tubes. They have been somewhat less successful with financially assisted tations and less successful still with independent, brand stations. There are variations in the appropriateness of this general conclusion etween station networks and possibly between urban and non-urban reas. In view of the statements by the oil companies noted above bout dealer purchases of T.B.A. products, some measure of the lealers' exclusivity in tires and tubes may be attributable to the ompetitive sales appeal of the principal distributors' T.B.A. pro-grams, as well as to the effectiveness of exclusive full-line forcing nd directed buying policies. Upon the whole, it appears probable hat a significant to major proportion of the service station market nd possibly a significant to substantial proportion of the replacement ire market are actually affected by these exclusive trading practices, hat is, are isolated from competing brands. Opportunities for com-etition are eliminated in the supply of individual stations and are onfined largely to competition for the business of networks or large roups of stations carrying single brands. Competition among tire

manufacturers is reduced markedly where they are confined to biddin
to supply a principal distributor's T.B.A. program or to winning preferential or exclusive status as a specified supplier to large grou of service stations. Wholesalers are affected from two directions: the propensity of the manufacturers to distribute direct to retailers where they can, and the propensity of the oil companies to deal in tires or practise directed buying in respect to them. A few wholesalers are excepted from this general position. They have executed market access agreements which include tires, with principal distributors. To some extent they will have avoided the significant to major degree of foreclosure experienced by most automotive whole salers in the service station market.

(vi) Storage Batteries

The information obtained on storage batteries was inadequate to permit a determination of the size of the replacement battery market in the same way that the data on tires were inadequate to permit assessment of the replacement tire market. Similarly incomplete returns from manufacturers prevented determination of the value of sales made through service stations and other retail outlets. Therefore it is impossible to state the proportion of these markets which would be accounted for by sales by principal distributors themselves or by sales under market access agreements which taken together, totalled $4,819,000 in 1956. It is probable though that service station sales constitute a significant to substantia share of the replacement market.

As in the case of tires, almost all the principal distributors either sell batteries in the capacity of wholesaler or hav executed market access agreements with suppliers. These arrangements appear to cover all but a small proportion of the more than 36,400 service stations in the principal distributors' networks. Because a number of the market access agreements affecting batterie are part of the agreements signed by tire manufacturers, certain franchised stations are excluded from the arrangements. Also, there is an indeterminate number of independent, brand dealers who are not affected because control of them by the distributors is minim Furthermore, the point noted in respect of tires as to the competitive sales appeal of a principal distributor's own T.B.A. program, would be relevant here in any judgment about the impact of full-line forcing or directed buying policies.

On the basis of available information it appears probable that the exclusive full-line forcing and directed buying policies of the principal distributors cover a substantial to major proportion of the service station market for batteries. This is doubtless a significant proportion of the replacement battery market.

The information received from battery manufacturers ncluded returns from only one major producer. This producer was he only supplier reporting market access agreements with any of the rincipal distributors, although there is evidence of other market ccess agreements relating to batteries. The manufacturer may make he agreement directly with a principal distributor but in association vith a wholesaler or the manufacturer may participate in a whole-saler's market access agreement with a distributor in so far as it elates to batteries. Production of private brands of batteries for il companies seems common among the large manufacturers. The nanufacturers have not established retail dealers of their own or laborate franchise dealer systems as have the tire manufacturers. Some, however, do sell to department stores, automotive specialty stores and other retail channels of distribution.

Batteries are dealt in by the majority of wholesalers but because they are a comparatively slow moving commodity, they usually constitute only a minor part of total sales. Service station dealers are commonly among the wholesalers' battery customers and, for some, are their only battery customers.

Storage batteries appear to be purchased by consumers much as tires are, but there is no information to indicate whether sales through service stations follow the gasoline sales pattern. As with tires, those areas where lessee operated and financially assisted stations are likely to account for a major proportion of gasoline sales, are areas where alternative places to buy batteries are likely to be most numerous.

The service station surveys indicated that the level of exclusivity for batteries was quite high among lessee dealers, somewhat lower among financially assisted dealers, and low among independent, brand dealers. Large size independent, brand dealers appear to exercise significantly greater breadth of choice than do medium size stations. However the difference in levels of exclusivity between Greater Winnipeg and the Ottawa District which was apparent with tires did not show up clearly with batteries. This suggests that alternative sources of supply in urban areas may not be as important competitive factors with batteries as with tires. Variations in levels of exclusivity among different distributors' networks seems less pronounced in the supply of batteries than in the supply of tires but differences do occur, particularly with respect to the independent, brand dealers. This may be in part a result of variations in the direct sales appeal of the principal distributors' own T.B.A. programs.

The foregoing suggests that the principal distributors have been successful in isolating most of their lessee operated

stations and a major proportion of their financially assisted stations from competition in the supply of batteries. Similarly, a significant proportion of independent, brand dealers has been so isolated. Some minor variations may occur between different distributors' networks and between urban and non-urban areas. In view of the statements of the oil companies, some measure of the dealers' exclusivity may be attributable to the competitive sales appeal of principal distributors' T.B.A. programs. It would appear, however, that a substantial proportion of the service station market and possibly a significant part of the replacement market may be affected by exclusive full-line forcing and directed buying practices. Opportunities for competition in the supply of batteries to the individual stations are eliminated. Competition among the manufacturers who merely sell to the principal distributors for resale or who acquire preferential or exclusive status as specified suppliers is reduced. Some wholesalers may benefit from a similar reduction in the competition in their areas. The remainder of the producers and most wholesalers who rely on direct access to service station dealers are foreclosed from the service stations thus isolated from competition.

(vii) Accessories

Because accessories, as a group, embrace a large number of different items it has been particularly difficult to clarify statistically the extent of the market involved. For purposes of the inquiry, the items classed as accessories were defined but the dividing line between accessories and parts is not precise and the list of accessory items constitutes a somewhat arbitrary selection. It has not been possible to determine the size of the total market although it appears to be about the same size as that for anti-freeze. It is perhaps useful to note that only a few accessories are necessary to the operation of motor vehicles and the sale of many accessories therefore may result from the impulse of the buyer. In such circumstances because the service station is the place to which people go regularly for related products, service stations are also likely to account for an important part of the retail market for accessories, particularly some items. However, for the same reasons, various types of retail outlets are also likely to stock some items in the accessory group. Moreover, no item by itself could support extensive dealer networks as do tires. Those accessories which come close to being classified as auto parts are likely to be in continual demand and to have a comparatively rapid turnover. Other items are slow moving. Among accessories, there are a few accessories whose suppliers use extensive national advertising to capture the attention of consumers; some of these items may carry the brand name of the distributor and share in the distributor's advertising. It is also likely that the wholesale and retail margins on many items are comparatively wide.

The majority of principal distributors have taken an nterest in the distribution of accessories to their service station ealers. Usually the distributors' interest takes the form of pecifying suppliers who have signed market access agreements, but s indicated in the section on tires, a number of the principal istributors stated that their dealers were always free to purchase '.B.A. products from suppliers of their own choice. In some market ccess agreements, accessories are included along with tires and atteries. A minority, but apparently an increasing number of rincipal distributors, sell accessories as part of their T.B.A. rograms. Such distributors generally do not try to sell a full line of tems but concentrate on those with the most rapid turnover. Some imes these T.B.A. programs are supplemented by specified uppliers. Although there are service stations which would not be overed by any directed buying or full-line forcing policies because the rincipal distributors exercise no control over them, it appears that hese comprise a minor proportion of all service stations.

A comparatively large number of suppliers provided nformation about their business in accessories but only a small roportion reported market access agreements and, of these, most lealt in accessories only as a supplement to their principal roducts. As might be expected, some manufacturers sell to oil ompanies but few appear to deal directly with service stations. nstead they rely extensively on automotive wholesalers and jobbers. Because some accessory items are commonly installed in new vehicles, automobile manufacturers also sell in this market.

There appear to be very few wholesalers who do not sell accessories. For some wholesalers, accessories are the only type of automotive commodities dealt in. As would be expected, a large majority sell to service station dealers and some wholesalers sell only to such dealers.

Because consumers may often buy accessories without much forethought, it is perhaps reasonable to assume that those service stations having the most customers and selling the most gasoline would probably have the largest sales of accessories. If this assumption is correct, lessee operated and financially assisted stations would have higher accessories sales on the average than would independent, brand outlets.

The surveys of service station dealers indicated substantially lower levels of exclusivity in the supply of accessories than in the supply of the other products discussed above for all classes of stations. Nevertheless, lessee operated stations continued to show a much higher level of exclusivity than independent, brand stations. In Greater Winnipeg in marked contrast with the

Ottawa district, this was also true of the financially assisted stations Size of station appeared to have importance only among independent, brand outlets where medium size stations showed a higher level of exclusivity than large size stations. As with other products, variations appeared in the levels of exclusivity among the different distributors' networks, suggesting variation in the competitive appeal of the different distributors' T.B.A. programs, and perhaps varying emphasis on enforcement of exclusive trading practices. The variati in exclusivity was not always consistent in all classes of station withi a network; that is, the level of exclusivity in lessee operated stations in a network might be above average while the level of exclusivity in independent, brand station was average or below average.

From the foregoing, it appears that the principal distributors have been moderately successful in isolating their lessee operated stations and possibly their financially assisted stations from competition in respect of certain accessory items. They seem to hav had relatively minor success in so isolating independent, brand stations. Most successful have been those distributors who have thei own T.B.A. program. In the present circumstances, those manufacturers supplying principal distributors' T.B.A. programs almost certainly obtain a larger share of the service station market than if they sold through wholesalers only. It is unlikely, however, that the principal distributors' exclusive full-line forcing and directed buying policies are effective in foreclosing to manufacturers and whol salers much more than a minor proportion of either the service station market or the total market for accessories.

Conclusions have been drawn above about competitive conditions in the supply to service stations of different brands or lines of oils, greases, anti-freeze, additives and T.B.A. products and abo the degree to which this market is foreclosed to independent producer and wholesalers by the principal distributor's full-line forcing and directed buying policies. It is important to stress that these are tentative conclusions of general application. Because of many factors conditions in particular regions or localities may differ substantially. Foreclosure in a given instance may be less or more complete than suggested.

Attention should also be given to the importance that customer credit cards issued by the distributors may have in affecting these policies. Credit cards cover the sale and installation of a principal distributor's products and frequently any goods purchased by dealers from designated suppliers. If a distributor does not closely check that credit cards are used in conformity with his regulations, there may be opportunities for sales of unauthorized products with these cards. On the other hand a distributor can buttress his

irected buying or full-line forcing by using credit cards to induce onsumers to specify the company's products.

There is little doubt that this inquiry has shown that the rincipal distributors possess considerable market power and xercise it in such a way as to affect significantly the distribution and ale of service station products through their service station networks. t is apparent that this power derives from the successful xploitation of the distributors' own brands of gasoline on a national r regional basis. This market power has been extended by way of xclusive full-line forcing and directed buying to the sale of service tation products. The use of distributors' brands for service station roducts has facilitated the extension of this market power. Service tation networks are in substantial measure, "fenced-in" markets. For products such as lubricating oils the fence appears to be higher nd more effective than for other products such as accessories. Similarly the proportion of the retail market for each product which is nclosed varies quite considerably.

Undoubtedly alternative sources of supply such as automotive specialty stores, department stores, mail order houses and general stores, constitute a check on the market power of the principal distributors in the retail market for service station products. These alternative retail outlets appear to have had sufficient influence to keep the situation fluid. However, the competitive importance of the different types of retail outlet varies. For some customers they are important but most of these alternative sources provide only limited competition. The trends in the classes of service station being expanded and in the type of products and services provided at these sites, suggest that the principal distributors may well be increasing their market power. The rapid expansion in number of motor vehicles enhances the value of large numbers of conveniently located service stations. The movement on the part of principal distributors away from market access agreements into marketing their own lines of service station products also places such distributors in a stronger position to enforce exclusive dealing.

In all commodities service stations appear to account for at least a significant proportion of the retail market and, for some commodities, as much as a major share. It would appear that producers and wholesalers dealing in each group of commodities except accessories, are excluded from a proportion of the service station market which may also be described as "significant". The value of sales involved in each instance is substantial. Opinions and views cited in Chapter V, derived from producers' and wholesalers' returns, support these conclusions. They apply, of course, particularly to those producers and wholesalers who are not specified suppliers or do not sell directly to any principal distributors.

For most service station products except tires it does not appear that it has been economical to establish separate retail distribution systems to compete with the service stations. It is in the interests of the economy generally, the motorist consumer in particular, and the retailers themselves that there not be an excessive multiplicity of retail distribution points. Special services or special products may dictate the need of special retail facilities, but it is apparent that the service station is one of the best points for retail distribution of most service station products.

It may be that pre-emption of portions of the service station market by the principal distributors for their own products stabilizes the volume of business likely to be taken by each supplier thereby permitting more rational planning and production. Moreover it may be that products can be standardized as to quality and kind. These are the usual benefits considered to flow from such vertical integration. To the extent that such benefits are real, they are prinoipally of importance to the oil companies. There is no assurance that significant benefits to consumers will follow if the incentives to reductions in costs of production and distribution, and to improvements in products are weakened by the foreclosure of a significant portion of the market to competitive products.

It may also be that exclusive full-line forcing and directed buying permit a service station dealer to reduce his operating costs by providing him with a single complete line of branded or endorsed products which have a high standard of quality and wide consumer acceptance; by reducing the inventory he must carry, and by giving him the benefits of national advertising, and perhaps, of larger volume and trading discounts. To the extent that there are real advantages in one complete line which outweigh the advantages of carrying competitive products, full-line forcing and directed buying policies should be unnecessary because the dealer can make the decision himself. Where many dealers, free of any control by their principal distributor, have indicated both satisfaction with their affiliation to their principal distributor and a preference for its products, these advantages would appear to be real. However, where competing products would otherwise be handled except for such policies (presumably because of greater consumer acceptance or better service or more competitive price) resort by a principal distributor and his specified supplier to the distributor's market power in gasoline, is using the leverage this product provides to enforce the sale of the secondary product. Dealers must forego the benefits offered by handling the competitive products. Evidence was cited about the apparent use of a distributor's market power to compel dealers to handle products they believed to be less competitive. Moreover, when competing dealers no longer shop around and buy the best product at the best price, consumers lose the protection the dealers' experience and advice might afford in place of their own lack

knowledge and inability to seek out what the market may offer.

It, perhaps, may be that the existence of numerous rincipal distributors, each with a network of service stations carryg its own lines of commodities or sponsoring particular lines, will rovide consumers with sufficient opportunities to exercise choice and et permit economies in production and supply. However, mention has een made of the possible excessive investment in service stations to hich such a system may lead. Moreover, where a few large anufacturers as in the case of tires and to some extent in the case of atteries and anti-freeze, either sell to the principal distributors rectly or to their dealers under agreements, the smaller producers re excluded from opportunities to sell and consumers have their pportunities to choose between products curtailed. Where a large roducer or several large producers have secured access to portions f the service station market by market access agreements, they ave augmented the power they possess in the market for their own roduct by buying the supporting power of the oil company in the ervice station part of that market. This combination in a setting of w suppliers is not likely to be conducive to the growth and expansion f the smaller units in the industry however efficient they might be.

Of particular concern in the use of a principal distributor's arket power to foster the sale of the products of a specified upplier, is the discriminatory allocation of that power to aid the upplier who is prepared to pay the highest commission. This will end to distort the distribution system and to be cost raising because e specified supplier, with a comparatively assured market, can ass additional costs on to the dealer who in turn will try to pass them n to the consumer. Because the dealer is the most competitive point the distribution system he may not be able to pass on the added costs. eing the smallest and weakest component in the system he can least fford to bear the full burden of these costs. This use of market ower may well encourage more costly selling techniques also on he part of competitors of the specified supplier in order to combat he exclusionary practice. Entry to the service station market may be ffected if consumers can be persuaded to demand a particular lternative product, where it might not be effected simply by the offer f a better price to dealers.

Where an oil company enters the field of wholesaling .B.A. and anti-freeze products, it is in a position to use the xtensive market power deriving from its integrated petroleum usiness to induce producers of T.B.A. and anti-freeze to provide it vith more favourable trade discounts. The costs of these, if not ffset by savings, may have to be borne by other buyers, depending on ompetitive conditions in the industry concerned.

Consumers do not expect every service station to be stocked with all or even a wide selection of the lines of commodities produced. However, opportunities for consumer choice may not be preserved if the consumer's influence on what a dealer will carry is interfered with by practices of exclusive full-line forcing or directed buying.

In the case of controlled service stations (i.e. excluding independent, brand stations) returns to the principal distributor from market access agreement commissions or from the sale of service station products themselves, may be regarded by him as part of the return on his investment in service station land and buildings or financial assistance to the dealer. Although this investment was doubtless made primarily for the purpose of selling the distributor's own products, use of the facilities to sell other automotive goods may be another avenue for yielding an additional, important return on the distributor's investment. Where opportunity is taken by a principal distributor simply to promote the sale of other goods without resort to use of his market power in his principal product to exclude all competitors there seems little cause for public concern. However, where the circumstances permit the distributor, by exclusive full-line forcing or directed buying, to use his market power in gasoline to exclude competitive suppliers from selling service station products to controlled dealers, there are clear grounds for public concern.

Although the exclusive full-line forcing and directed buying policies of the smaller principal distributors may be, of themselves, comparatively harmless in their exclusionary effects, the cumulative force of the general use of these exclusive trading devices by the petroleum industry may well be to injure competition at all levels in the production and distribution of all service station products with the possible exception of accessories. This is because competition is eliminated in a significant proportion of the market or is reduced mainly to competition between the principal distributors. Competition in price tends to receive less emphasis than competition in services and other forms of non-price rivalry. The more extensive the use of exclusive full-line forcing and directed buying by the distributors, the greater will be their effect on competition.

While both exclusive full-line forcing and directed buying have been examined in this inquiry, some consideration should be given as to whether one practice may have greater implications for competition than the other. Exclusive full-line forcing does appear to raise the more serious question under the present circumstances. In exclusive trading in their own brand gasolines, the principal distributors possess considerable market power. In exclusive full-line forcing, this is brought directly into use to exclude from a part of the market the sale of products competing with those of the

listributor. The number of opportunities for competitive goods to be offered for sale by producers to the distributors will be curtailed accordingly and likewise the choice available to retailers and to consumers. Such foreclosure of the service station market may lead to fewer automotive wholesalers than may be desirable in the circumstances of this trade, with its many different products going to the same consumer. By comparison, directed buying, while reducing the scope in which wholesalers can usefully function, does appear to provide greater flexibility and more freedom for competition in the system.

APPENDIX I

List of T. B. A. Products Used In Questionnaires

The following list of automotive products, which, for the purposes of this inquiry, were to be considered as included in the terr "T. B. A. Products", was attached as Schedule I to the questionnaires sent in 1958 to the principal distributors of gasoline and petroleum products. A list of 'Accessories' which incorporated the items under Section 3, was included with the questionnaires sent in 1959 to the autc motive wholesalers.

T. B. A. Products

1. Automotive tires and tubes.

2. Automotive storage batteries, cables and ground stra

3. Accessories:

Rim bands
Dry cell batteries
Fan belts
Brake fluid
Lamp bulbs - automotive; flashlight
Cements - vulcanizing; patching; gasket
Hose clamps
Polishing cloths, rags, waste
Chamois
Sponges
Door ease: lock ease
Valve hardware, gauges, chucks
Oil filters, elements, and fitting sets
Cord repair fabric
Defroster fans and other defrosters
Flashlights
Shock absorber fluid
Automotive fuses
Glass cleaners
Goggles, sunglasses and sun visors
Gum - black tread; black cushion; cold patch repair; other
Hose - airline; radiator; heater; other

Fuel and oil lines
Car polishes, cleaners, waxes
Tire and tube repair kits, patches, etc., of all kinds
Tire flaps, reliners
Tire hardware
Radiator compounds and chemicals
Rubber lubricants
Soapstone
Spark plugs
Friction tape
Tools, marking pencils, etc.
Base and touch-up paints
Top lubricants, decarbonizers
Windshield wiper accessories
Tire paints
Bumper guards
Mirrors
Reflectors, deflectors, ornaments
Automobile heaters
Floor mats
Radiator and gastank caps
Car rugs and robes
Car radios and aerials
Seat covers
Chains for tires
Mufflers, tail pipes and exhaust extensions
Speedometer cables and casings
Curb feelers
Top putty
Fuel pumps and components
Battery hydrometers
Fog, spot and driving lights
Car racks
Directional signals
Distributor points

APPENDIX II

Sample Questionnaires and Lists of Principal Distributors of Gasoline and Service Station Products to Whom Questionnaires Were Sent

The first questionnaires in this inquiry were sent to a group of oil companies believed to be engaged in refining and distribution of gasoline to service stations and other consumer outlets in 1953 and 1954. A sample of the questionnaire used in this initial survey with a list of the companies to whom it was sent appears as Part A below. A supplementary questionnaire was sent in 1956 to a modified list of companies considered to be the principal distributors of gasoline and service station products to networks of service stations. A sample of the questionnaire used and a list of the companies to whom it was sent appears as Part B below. At the time these two sets of questionnaires were sent out, the concern of the inquiry was with the distribution of T. B. A. products (including parts) only, although background information on the distribution of gasoline was necessarily gathered. Additional information was requested in questionnaires sent in 1958 to an expanded list of principal distributors. A sample of this questionnaire and a list of the companies to whom it was sent appears as Part C below. This questionnaire was concerned with the distribution of automotive lubricating oils, greases, anti-freeze, and additives as well as T. B. A. products, all of which group of products have been designated 'service station products' in this inquiry. In Part D is a copy of a letter sent early in 1960 requesting certain additional information from the principal distributors.

It must be pointed out that identical questionnaires were not sent at all times to each of the principal distributors because known differences in the companies, their structure and organization dictated certain modifications. Nevertheless, because the questionnaires in each set sent out were designed to elicit the same information from each company, the samples are a fair representation of the forms used at different stages in the inquiry.

Part A

Sample of the questionnaire sent in 1953 and 1954 to companies engaged in refining and/or distribution of gasoline to service stations:

Questionnaire

Room 746, Justice Building,

o:

In the matter of an inquiry under section 42 of the Combines Investigation Act relating to the distribution and sale of motor vehicle tires, batteries, parts and other accessories

Pursuant to section 9 of the Combines Investigation Act you,
r any other officer of
ereinafter referred to as the Company) designated by you for the
urpose, are required to make and render unto me a written return
nder oath or affirmation showing the information designated below
ith respect to the business of the Company.

1. The full corporate name of the Company.

2. The date of incorporation of the Company; the laws under which the Company was incorporated; and the dates of Letters Patent and Supplementary Letters Patent, or if not incorporated under Letters Patent, the dates of other documents and supplementary documents under which the Company was incorporated.

3. The head office address of the Company and, if incorporated outside Canada, the address of the registered office in Canada.

4. The names and addresses of companies

   (a) in which the Company has any stock interest;
   (b) which have any stock interest in the Company;

   which are engaged in the business of refining or distributing petroleum and related products or engaged in the manufacture, distribution or sale of motor vehicle tires, batteries, parts or other accessories, showing the extent of such interest in each case and business in which each such company is engaged.

5. List the products which the Company sells and indicate which of these (hereinafter referred to as "automotive products") are distributed through retail outlets for use in the operation or maintenance of motor vehicles.

6. State the name and address of each supplier from whom automotive products are purchased by the Company for distribution through retail outlets.

7. Give the following information, relating to retail outlets through which the Company's automotive products are distributed, by provinces:

   (a) Number owned by the Company; name or names by which they are collectively designated; whether operated directly or through lessees; copy of each type of lease, equipment contract, mortgage, agency agreement, etc., employed in dealing with lessees;

   (b) Number of chain outlets not owned but controlled by the Company through a subsidiary or otherwise; name or names by which they are collectively designated; nature of the control; head office of each chain;

   (c) Number of chains of outlets not owned or controlled by the Company; name under which each chain is operated; head office of each chain; copy of each type of contract employed by the Company in dealing with each chain;

   (d) Number of independent outlets not owned or controlled by the Company; copy of each type of equipment contract, mortgage, agency agreement, etc., employed by the Company in its dealings with such outlets.

8. Has the Company since January 1951 been party to any agreement with any supplier of motor vehicle tires, batteries, parts or other accessories (hereinafter referred to as "TBA products") for the distribution of such products through retail outlets distributing automotive products of the Company. If so, state the name and address of each such supplier; the period during which the Company has been party to any such agreement; and attach a copy of each such agreement.

9. State, for each of the calendar years 1951, 1952 and 1953 (to June 30th) the total amount which the Company received by way of bonus, rebate, commission or other payment or allowance under each agreement referred to in paragraph 8.

10. Does the Company, by agreement or otherwise, require any retail outlets to purchase any supplies of TBA products from the suppliers referred to in paragraph 8 or from the Company itself; if so, name the outlets so required and state whether such requirement is total or partial and, if partial, the extent.

11. State how each such requirement is enforced; what penalties or consequences are applicable for failure on the part of any such outlet to comply with the requirement; and list any outlets to which such penalties or consequences have applied since January 1, 1952 with particulars.

This return is to be sent to me at my office at Ottawa not ater than

T. D. MacDonald
Director of Investigation and Research

List of Companies to Whom Questionnaire in Part A Was Sent

1. Anglo-Canadian Oils Limited: Brandon, Manitoba.

2. The British American Oil Company Limited: Toronto, Ontario.

3. Canadian Petrofina Limited: Montreal, Quebec.

4. Canadian Oil Companies Limited: Toronto, Ontario.

5. Champlain Oil Products Limited: Montreal, Quebec.

6. Cities Service Oil Company Limited: Toronto, Ontario.

7. Consumers' Co-operative Refineries Limited: Saskatoon, Saskatchewan (acknowledged by parent company: Saskatchewan Federated Co-Operatives Limited).

8. District Services Limited: Sault Ste. Marie, Ontario.

9. Excelsior Refineries Limited: Edmonton, Alberta.

10. P.M. Fleming Limited: Haileybury, Ontario.

11. Franco Oils Limited: Vermilion, Alberta.

12. (a) Gas and Oil Refineries Limited: Calgary, Alberta.
    (b) Gas and Oil Products Limited: Calgary, Alberta.
    (c) Patron Oil Company Limited: Moose Jaw, Saskatchewan.
    (affiliated companies)

13. The Gibson Petroleum Marketing Limited: Calgary, Alberta.

14. Great West Distributors Limited: Calgary, Alberta.

15. Hi-Way Refineries Limited: Regina, Saskatchewan.

16. Home Oil Distributors Limited: Vancouver, B.C.

17. Husky Oil & Refining Limited: Regina, Saskatchewan.

18. Imperial Oil Limited: Toronto, Ontario.

19. Irving Oil Company Limited: Saint John, New Brunswick.

20. Joy Oil Company Limited: Toronto, Ontario.

Maple Leaf Petroleum Limited: Calgary, Alberta.

2. McColl-Frontenac Oil Company Limited: Toronto, Ontario. (now Texaco Canada Limited)

3. Moose Jaw Refineries Limited: Moose Jaw, Saskatchewan.

4. New Brunswick Oil Fields Limited: Moncton, New Brunswick.

5. North Star Oil Limited: Winnipeg, Manitoba.

6. Northern Petroleum Corporation Limited: Kamsack, Saskatchewan.

7. Prince Albert Refineries Limited: Moose Jaw, Saskatchewan.

8. Radio Oil Refineries Limited: Winnipeg, Manitoba.

9. Reliance Petroleum Limited: London, Ontario.

0. Riverlake Oils Limited: Fort William, Ontario.

1. Shell Oil Company of Canada Limited: Toronto, Ontario.

2. Standard Oil Company of British Columbia Limited: Vancouver, British Columbia.

3. Stewart Petroleums Limited: Calgary, Alberta.

4. Sun Oil Company Limited: Toronto, Ontario.

5. Supertest Petroleum Corporation Limited: London, Ontario.

6. Superline Oils Limited: Halifax, Nova Scotia.

7. Supreme Refineries Limited: Calgary, Alberta.

38. Trinidad Leaseholds (Canada) Limited: Port Credit, Ontario. (now Regent Refining (Canada) Limited).

39. The Trump Oil Company Limited: Morris, Manitoba.

40. C. C. Wakefield and Company Limited: Long Branch, Ontario.

41. The Western Oil Company Limited: Moose Jaw, Saskatchewan.

Part B

Sample of the questionnaire sent in 1956 to principal distributors of gasoline and petroleum products to networks of service stations.

Questionnaire

Room 746, Justice Building

To:

In the matter of an inquiry under section 42 of the Combines Investigation Act relating to the distribution and sale of motor vehicle tires, batteries, parts, and other accessorie

Pursuant to section 9 of the Combines Investigation Act you, or any other officer of
(hereinafter referred to as the Company) designated by you for the purpose, are required to make and render unto me a written return under oath or affirmation showing the information designated below wit respect to the business of the Company.

1. For each of the calendar or fiscal years (specify which) 1951, 1952, 1953 and 1954, please indicate the Company's net profit before income tax.

2. For each of the calendar or fiscal years (specify which) 1951 and 1954, please indicate the proportion of the total sales of Company-branded gasoline made at retail by each of the following classes or types of retail outlet:

   (a) Retail outlets owned or leased by the Company and operated by it;

   (b) Retail outlets owned or leased by the Company and operated by lessee-dealers;

   (c) Retail outlets to which the Company has extended direct financial assistance secured by mortgage or otherwise;

(d) Retail outlets, independently owned and operated, to which the Company has not extended direct financial assistance (Retail outlets in which the Company's only interest is that it has provided dispensing or other equipment fall within this class);

(e) Others (specify)

Note: In the event that the data requested in this question cannot be obtained from the Company's records, please estimate as accurately as possible.

3. As of January 1, 1951, January 1, 1953 and January 1, 1955, indicate the number of retail outlets which fell within each of the various classes of retail outlets referred to in Question 2.

4. If, in any of the calendar or fiscal years (specify which) 1951, 1952, 1953 and 1954 the Company has received commissions or allowances from third party suppliers of "TBA" products (i. e. tires, tubes and rubber accessories; batteries and battery accessories; parts and other accessories) on the volume of sales by such suppliers to the Company itself or to retail outlets handling Company-branded gasoline, please indicate for each such year:

(a) The total amount of such commissions or allowances received; and

(b) The expenses, administrative or otherwise, if any, which were actually and specifically charged in the company's books as the cost of earning such commissions or allowances.

5. If, in any of the calendar or fiscal years (specify which) 1951, 1952, 1953 and 1954 the Company itself distributed any "TBA" products to retail outlets handling Company-branded gasoline, please indicate for each such year:

(a) The total sales, in dollars, of Company-distributed "TBA" products to such outlets;

(b) The gross trading profit from such sales; and

(c) The net profit, before income tax, from such sales.

Note: In the event that the data requested in this question cannot be obtained from the Company's records, please estimate as accurately as possible.

This return is to be sent to the undersigned at Room 746 Justice Building, Ottawa, not later than

The issuance of this notice has been certified by a member of the Restrictive Trade Practices Commission pursuant to section 9 (2) of the Combines Investigation Act.

Dated at Ottawa in the Province of Ontario this 11th day of January, 1956.

T. D. MacDonald
Director of Investigation and Research
Combines Investigation Act

List of Companies to Whom Questionnaire in Part B Was Sent

Anglo American Exploration Limited: Calgary, Alberta. (successor company to Gas and Oil Refineries Ltd., Gas and Oil Products Ltd., and Patron Oil Co. Ltd. listed in Part "A").

Anglo-Canadian Oils Limited: Brandon, Manitoba.

The British American Oil Company Limited: Toronto, Ontario.

Canadian Oil Companies Limited: Toronto, Ontario.

Canadian Petrofina Limited: Montreal, Quebec.

Champlain Oil Products Limited: Montreal, Quebec.

Cities Service Oil Company Limited: Toronto, Ontario.

P.M. Fleming Limited: Haileybury, Ontario.

Great West Distributors Limited: Calgary, Alberta.

Home Oil Distributors Limited: Vancouver, British Columbia.

Imperial Oil Limited: Toronto, Ontario.

Irving Oil Company Limited: Saint John, New Brunswick.

McColl Frontenac Oil Company Limited: Toronto, Ontario. (now Texaco Canada Limited).

North Star Oil Limited: Winnipeg, Manitoba.

Radio Oil Refineries Limited: Winnipeg, Manitoba.

Reliance Petroleum Limited: London, Ontario.

Regent Refining (Canada) Limited: Toronto, Ontario.

Royalite Hi-Way Limited: Regina, Saskatchewan. (successor to Hi-Way Refineries Limited).

Shell Oil Company of Canada Limited: Toronto, Ontario.

Standard Oil Company of British Columbia Limited: Vancouver, British Columbia.

Sun Oil Company Limited: Toronto, Ontario.

Supertest Petroleum Corporation Limited: London, Ontario.

The Western Oil Company Limited: Moose Jaw, Saskatchewan.

Part C

Sample of the questionnaire sent in 1958 to principal distributors of gasoline and petroleum products to networks of service stations.

Questionnaire and Schedule

Questionnaire

In the matter of an inquiry under Section 42 of the Combines Investigation Act relating to the distribution and sale of automotive oils and greases, anti-freeze, tires, batteries, parts, accessories and related products

Pursuant to Section 9 of the Combines Investigation Act you, or any other officer of Canadian Petrofina Limited (hereinafter referred to as the Company) designated by you for the purpose, are required to make and render unto me a written return under oath or affirmation showing the information designated below with respect to the business of the Company.

Part I

1. In the Company's return of September 3, 1954, the following information was submitted:

(a) That the head office of the Company was at Beaver Building, 1015 Beaver Hall Hill, in Montreal.

(b) That the following were all of the companies, engaged in the business of refining or distributing petroleum products, in which the Company had any stock interest: Norval Oil Company Limited, of Montreal (a wholly owned subsidiary), and Dominion Oil Limited, of Montreal (a wholly owned subsidiary); and that the Company had no stock interest in any company engaged in the manufacture, distribution or sale of tires, batteries, parts or other accessories.

(c) That Compagnie Financière Belge des Pétroles (Petrofina) s. a. was the owner of 5,000,000 of the common shares of the Company.

lease state whether the above information is still correct and
omplete, and if it is not, give any changes.

art II

2. Please state for the years 1955 and 1956:

(i) the total gross factory or refinery value of all products sold by the Company.

(ii) the total gross factory or refinery value of all petroleum products sold by the Company for use in connection with motor vehicles, i.e. gasolines; diesel fuels; oils; greases; ethyl alcohol, ethylene glycol and related anti-freeze products; kerosene; naphthas; and solvents.

(iii) the total gross factory or refinery value and volume of the Company's sales of:

(a) Automotive gasolines;

(b) Automotive oils produced by the Company;

(c) Automotive greases produced by the Company;

(d) Automotive anti-freeze products of all bases for radiators produced by the Company;

(e) All additives, specifying types, produced by the Company.

3. Please state for each of the years 1955 and 1956 the
roportions of the Company's sales (on a value basis) of each of the
roducts listed in paragraph 2(iii) above made to the following classes
f retail outlets supplied by the Company with gasoline:

(a) Outlets owned or leased by the Company and operated by it;

(b) Outlets owned or leased by the Company and operated by lessee-dealers;

(c) Outlets to which the Company has extended direct financial assistance secured by mortgage or otherwise secured (excluding any referred to in (b) or (d));

(d) Outlets whose dispensing or other equipment is owned by the Company (excluding any referred to in (a), (b) or (c));

(e) Outlets independently owned and operated (excluding any referred to in (c) or (d));

(f) Other: please specify.

Note: Please indicate whether sales to retail outlets, controlled or supplied with gasoline by the Company's subsidiaries listed in paragraph 1(b), are included in the reply to this paragraph.

4. Please indicate, by provinces, the number of retail outlets which were included as of December 31, 1957, within each of the classes referred to in paragraph 3.

Note: Please indicate whether retail outlets controlled or supplied with gasoline by the Company's subsidiaries listed in paragraph 1(b) are included in the reply to this paragraph.

5. (a) Please state and define to what classes of customers, who in turn sell or distribute (to the knowledge of the Company) to retail outlets, sales were made of automotive gasoline, oils, greases, anti-freeze or additive products, whether such products were produced by the Company or purchased and resold by it to such customers.

(b) Please state for the years 1955 and 1956, the total value of the Company's sales of each of the products listed in paragraph 5(a) made to each class of customer as listed in your reply to paragraph 5(a).

(c) Please list the names and addresses of those customers included as of December 31, 1957, in each class listed in paragraph 5(a).

6. In the Company's return of September 3, 1954, it was statec that the forms of leases and agreements listed below were all of those used by the Company at that time in dealing with the various retail outlets supplied by it:

(a) Form D-35Q Lease-lessee Dealer 9/53

(b) Mortgage Agreement

(c) Form D-41Q Dealer Sale Contract 10/53

(d) Form D-42Q Equipment Loan Contract 10/53

Please state whether any of the above forms of agreement have been revised, replaced or discontinued, and if so give details, and submit copies of new or revised forms. If any of the agreements contain conditions or provisions in addition to those contained in the forms which have been supplied or are to be supplied, please submit copies of such provisions or conditions. If the retail outlets controlled by or associated with the Company's subsidiaries listed in paragraph 1(b) are included in the Company's replies to paragraphs 3 and 4, please indicate whether the forms for leases and agreements referred to in this paragraph are used in transactions with the subsidiaries' retail outlets.

Part III

7. In the Company's return of September 3, 1954, it was stated that the only agreements that the Company had with suppliers of TBA products dealing with the distribution of those products through retail outlets were the following:

(a) Agreement with Firestone Tire & Rubber Company of Canada Limited, dated September 15, 1953, dealing with the sale of tires and tubes, parts and accessories, batteries and home supplies to retail outlets and to the Company.

(b) Agreement with Willard Storage Battery Company of Canada Limited, dated November 1, 1953, dealing with the sale of batteries to retail outlets and to the Company.

Please describe the current status of these agreements and, if still in effect, indicate the products dealt with and the names and addresses of the suppliers. If the Company is a party to any agreement (other than those listed above) with any supplier of automotive oils and greases, anti-freeze, additive or TBA products whereby the supplier is authorized to sell such products to or through retail outlets supplied with gasoline by the Company, please state the name and address of each such supplier, the period during which the Company has been a party, and attach a copy of each such agreement. If any such agreements are verbal, please state the products to which each applies and the terms of each agreement. Please indicate whether all or any of the agreements mentioned in the Company's reply to this paragraph apply in any

way to the Company's subsidiaries listed in paragraph 1(b).

Note: A list of commodities is attached as Schedule I showing the kinds of products which are to be regarded for the purposes of this inquiry as constituting "TBA Products".

8. In respect of each supplier with whom the Company had an agreement of the kind referred to in paragraph 7, state for each of the years 1955 and 1956 the wholesale value of sales made pursuant to such agreements to retail outlets supplied with gasoline by the company Where applicable, show a breakdown of such sales, for each supplier, into sales of:

(a) Automotive Oils

(b) Automotive Greases

(c) Tires and Tubes

(d) Batteries

(e) Anti-freeze

(f) Additives

(g) Accessories (As per list in Schedule 1)

(h) Other Products

If this information is not available from ledgers and would require an examination by the Company of individual files or invoices, please so advise before proceeding to assemble it.

Note: Please indicate whether sales to retail outlets controlled by or associated with the Company's subsidiaries listed in paragraph 1(b) are included in the reply to this paragraph.

9. Please state the total amounts received by the Company in each of the years 1955 and 1956 under each individual agreement of the kind referred to in paragraph 7 on sales to retail outlets of:

(a) Automotive Oils

(b) Automotive Greases

(c) Tires and Tubes

(d) Batteries

(e) Anti-freeze

(f) Additives

(g) Accessories (As per list in Schedule I)

(h) Other Products.

Note: Please indicate whether the Company's reply to this paragraph includes any amounts received by the Company subsidiaries listed in paragraph 1(b).

10. If the Company itself has distributed to any retail outlets ıpplied by the Company with gasoline any of the following products ıring the years 1955 and 1956, please state for each year:

(a) total sales of automotive oils to such outlets;

(b) total sales of automotive greases to such outlets;

(c) the total sales of tires and tubes to such outlets;

(d) the total sales of batteries to such outlets;

(e) the total sales of anti-freeze to such outlets;

(f) the total sales of additives to such outlets;

(g) the total sales of accessories (As per list in Schedule I) to such outlets;

(h) the total sales of other products to such outlets.

11. Please state the brand names, national or private, as the ase may be, of any products listed in paragraph 10 distributed by the ompany itself and indicate the name and address of the suppliers.

12. Please describe, insofar as it is not covered by the replies paragraphs 6 and 7, the general policy presently followed by the ompany in requiring or encouraging the operators in each class of utlet listed in paragraph 3, to purchase their requirements of auto- notive oils and greases, anti-freeze, additives or TBA products from ne Company or from suppliers designated by the Company. Please tate the measures taken, if any, to ensure compliance by any such perators with the Company's policy. Please indicate whether the ompany's reply to this paragraph may be considered as applying to ne operations of the Company's subsidiaries listed in paragraph 1(b).

This return is to be sent to the undersigned at Room 746 Justice Building, Ottawa, not later than February 28, 1958.

The issuance of this notice has been certified by a member of the Restrictive Trade Practices Commission pursuant to section 9(2) of the Combines Investigation Act.

Dated at Ottawa in the Province of Ontario this 31st day of January, 1958.

T. D. MacDonald
Director of Investigation and Research
Combines Investigation Act

In the matter of an inquiry under the Combines Investigation Act relating to the distribution and sale of automotive oils and greases, anti-freeze, tires, batteries, parts, accessories, and related products

SCHEDULE I

To Notice for Return of Information in the Above Inquiry

The following listed items are the products which, for he purposes of the above inquiry, are to be considered as included in he term, "TBA Products".

[The items listed are identical to the items in Appendix I]

List of Companies To Whom Questionnaire in Part C Was Sent

1. Anglo American Exploration Limited: Calgary, Alberta
2. Anglo-Canadian Oils Limited: Brandon, Manitoba
3. B. P. (Canada) Limited: Toronto, Ontario
4. The British American Oil Company Limited: Toronto, Ontario
5. Canadian Oil Companies Limited: Toronto, Ontario
6. Canadian Petrofina Limited: Montreal, Quebec
7. Champlain Oil Products Limited: Montreal, Quebec
8. Cities Service Oil Company Limited: Toronto, Ontario
9. Federated Co-operatives Limited: Saskatoon, Saskatchewan (successor to Saskatchewan Federated Co-operatives Limited)
10. P.M. Fleming Limited: Haileybury, Ontario
11. General Oil Company Limited: Winnipeg, Manitoba
12. Great West Distributors Limited: Calgary, Alberta
13. Home Oil Distributors Limited: Vancouver, British Columbia
14. Husky Oil & Refining Limited: Regina, Saskatchewan
15. Imperial Oil Limited: Toronto, Ontario
16. Inland Oils Limited: Dawson Creek, British Columbia
17. Irving Oil Company Limited: St. John, New Brunswick
18. Joy Oil Company Limited: Toronto, Ontario
19. Lion Oil Company Limited: Toronto, Ontario
20. Maple Leaf Petroleum Limited: Calgary, Alberta
21. North Star Oil Limited: Winnipeg, Manitoba
22. Planet Oil Limited: Toronto, Ontario (Parent Company replying for Atlas Oil Company Limited, Toronto)

. Radio Oil Refineries Limited: Winnipeg, Manitoba

. Regent Refining (Canada) Limited: Toronto, Ontario

. Reliance Petroleum Limited: London, Ontario

. Royalite Oil Company Limited: Calgary, Alberta (parent company of Royalite Hi-Way Limited)

. Shell Oil Company of Canada Limited: Toronto, Ontario

. Standard Oil Company of British Columbia Limited: Vancouver, British Columbia

. Sun Oil Company Limited: Toronto, Ontario

. Supertest Petroleum Corporation Limited: London, Ontario

. Texaco Canada Limited: Montreal, Quebec

. United Farmers of Alberta Co-operative Limited: Calgary, Alberta

. Vigor Oil Company Limited: Oshawa, Ontario

. Wainwright Refineries Limited: Wainwright, Alberta

. The Western Oil Company Limited: Moose Jaw, Saskatchewan

Part D

Sample of letter sent in 1960 to principal distributors of gasoline and petroleum products to networks of service stations:

Letter

Room 746, Justice Building
February 23, 1960

To:

In the Matter of an Inquiry under Sectio[n] 42 of the Combines Investigation Act relating to the Distribution and Sale of Automotive Oils, Grease, Anti-freeze, Additives, Tires, Batteries, Parts, Accessories and Related Products

Dear

You are already familiar with this inquiry in which your company has co-operated by supplying me with extensive information.

The inquiry relates to the practices whereby oil companie[s] require or influence their service station operators to purchase different automotive products from suppliers designated by the oil company in return, usually, for an overriding 'commission' or like payment from the supplier. It has also come to relate to the practice of oil companies diversifying into products other than gasoline and requiring their outlets to purchase some or all such products exclusively from the oil company. It appears that the policies in this respect of the oil companies may come to bear somewhat differently upon different classes of outlets such as company-owned outlets, lessee-operated outlets, outlets which are mortgaged to the oil company and independent outlets.

In replying to my questionnaires, many manufacturers and wholesalers of automotive products and service station operators have expressed their views about the economic effects of such policie[s] both upon the businesses of such manufacturers, wholesalers and service station operators and upon the general public.

The inquiry is in an advanced stage and, in the Statement of Evidence which I am preparing for submission to the Restrictive Trade Practices Commission pursuant to Section 42 of the Combines Investigation Act, I would like to include a cross-section of views from the oil companies.

If, therefore, you would care to let me have your views on this subject I would be much obliged. I would greatly appreciate having them if possible by the 15th of March.

Yours very truly,

T. D. MacDonald
Director

List of Companies To Whom Letter in Part D Was Sent

1. Anglo American Exploration Limited: Calgary, Alberta
2. Anglo-Canadian Oils Limited: Brandon, Manitoba
3. B.P. (Canada) Limited: Toronto, Ontario
4. The British American Oil Company Limited: Toronto, Ontario
5. Canadian Oil Companies Limited: Toronto, Ontario
6. Canadian Petrofina Limited: Montreal, Quebec
7. Champlain Oil Products Limited: Montreal, Quebec
8. Cities Service Oil Company Limited: Toronto, Ontario
9. Federated Co-operatives Limited: Saskatoon, Saskatchewan (successor to Saskatchewan Federated Co-operatives Limited)
10. General Oil Company Limited: Winnipeg, Manitoba
11. Great West Distributors Limited: Calgary, Alberta
12. Home Oil Distributors Limited: Vancouver, British Columbia
13. Husky Oil & Refining Limited: Regina, Saskatchewan
14. Imperial Oil Limited: Toronto, Ontario
15. Irving Oil Company Limited: St. John, New Brunswick
16. Joy Oil Company Limited: Toronto, Ontario
17. Lion Oil Company Limited: Toronto, Ontario
18. North Star Oil Limited: Winnipeg, Manitoba
19. Radio Oil Refineries Limited: Winnipeg, Manitoba
20. Regent Refining (Canada) Limited: Toronto, Ontario
21. Reliance Petroleum Limited: London, Ontario
22. Royalite Oil Company Limited: Calgary, Alberta (parent company of Royalite Hi-Way Limited)

3. Shell Oil Company of Canada Limited: Toronto, Ontario

4. Standard Oil Company of British Columbia Limited: Vancouver, British Columbia

5. Sun Oil Company Limited: Toronto, Ontario

6. Supertest Petroleum Corporation Limited: London, Ontario

7. Texaco Canada Limited: Montreal, Quebec

8. United Farmers of Alberta Co-operative Limited: Calgary, Alberta

9. Vigor Oil Company Limited: Oshawa, Ontario

0. Wainwright Refineries Limited: Wainwright, Alberta

1. The Western Oil Company Limited: Moose Jaw, Saskatchewan

APPENDIX III

Questionnaires Used in Ottawa District and Greater Winnipeg Surveys of Service Station Dealers

The first of these surveys of service station dealers was conducted in the area within a fifty mile radius of Ottawa in 1954 and 1955. The second was conducted in Greater Winnipeg in 1957.

Ottawa District Survey

QUESTIONNAIRE TO BE FOLLOWED IN INTERVIEWS WITH RETAIL PETROLEUM OUTLETS

1. (a) Name and style under which the outlet is operated: . . . .

   (b) Address . . . .

   (c) Manager (Operator) . . . .

   (d) Primary nature of the business: . . . .

2. (a) The brands of petroleum products handled:

      (i) Gasoline . . . .

      (ii) Oils . . . .

      (iii) Greases . . . .

      (iv) Antifreeze . . . .

   (b) The length of time such products have been handled . . . .

   (c) Approximate annual sales of petroleum products:

      (i) Gasoline . . . .

      (ii) Oils . . . .

      (iii) Greases . . . .

      (iv) Antifreeze . . . .

   (d) Current retail price per gallon of gasoline:

(i) No. 1 (Premium) . . . .

(ii) No. 2 (Regular) . . . .

The relationship of the outlet to its petroleum supplier and the mode of affiliation:

(a) Leased from its supplying oil company:

(i) Lessee . . . .

(ii) Rental . . . .

(iii) Agreements or formal contracts employed . . . . . .

- OR -

(b) Mortgaged to its supplying oil company or otherwise financially controlled by it:

(i) Mortgagor . . . .

(ii) Interest rate . . . .

(iii) Agreements or formal contracts employed . . . . . .

- OR -

(c) Independent

(i) Proprietor . . . .

(ii) Agreements or formal contracts employed . . . . . .

- OR -

(d) Other (specify) . . . .

4. (a) The names and positions of oil company employees with whom the retailer has business relations: . . . .

5. Brands, types and sources of supply of TBA products handled:

(a) Tires, tubes and rubber accessories . . . .

Approximate annual sales . . . .

(b) Batteries . . . .

Approximate annual sales . . . .

(c) Parts and other accessories . . . .

Approximate annual sales . . . .

6. Reasons for purchasing TBA products from the sources listed i question 5 (above) . . . .

7. The nature of any coercion or pressure which may have been employed - General. . . . .

8. Specific instances, if any, where coercion or pressure has bee brought to bear on the outlet to induce it to handle the TBA products of any certain supplier . . . .

Are there corroborating documents? . . . .

9. Additional comments, impressions, etc. . . . .

Interviewed by . . . .

Date . . . .

Greater Winnipeg Survey

QUESTIONNAIRE TO BE FOLLOWED IN INTERVIEWS WITH RETAIL PETROLEUM OUTLETS

1\. (a) Name under which the outlet is operated: . . . .

(b) Address . . . .

(c) Manager (Operator) . . . .

(d) Primary nature of the business: . . . .

(e) How long has the outlet been operating? . . . .

(f) How long under present management. . . . .

2\. (a) The brands of petroleum products, and antifreeze, handled:

(i) Gasoline . . . .

(ii) Oils . . . .

(iii) Greases. . . . .

(iv) Antifreeze . . . .

(b) What were sales in 1956 of:

(i)	Gasoline	Gallons	$ . . . . .
(ii)	Oils	Gallons	$ . . . . .
(iii)	Greases	Pounds	$ . . . . .
(iv)	Antifreeze	Gallons	$ . . . . .

(c) Current retail price per gallon of gasoline:

(i) No. 1 (Premium). . . . .

(ii) No. 2 (Regular) . . . .

(d) Is the operator required by the supplier to maintain those prices? . . . .

(e) Is the operator required by the supplier to maintain the prices of any other products? If so, give details. . . . .

3. The relationship of the outlet to its petroleum supplier and the mode of affiliation:

(a) Leased from its supplying oil company:

(i) Lessee . . . .

(ii) Rent and Tenure . . . .

(iii) Agreements or formal contracts employed covering lease or any other matter . . . .

- OR -

(b) Mortgaged to its supplying oil company:

(i) Mortgagor . . . .

(ii) Terms of Repayment and Seizure . . . .

(iii) Who owns the dispensing equipment? . . . .

(iv) Agreements or formal contracts employed . . . . .

- OR -

(c) Independent

(i) Proprietor . . . .

(ii) Who owns the dispensing equipment? . . . .

(iii) Agreements or formal contracts employed covering any matter . . . .

- OR -

(d) Other (specify) . . . .

4. (a) The names and positions of oil company employees with whom the retailer has business relations:. . . . .

Brands, types and sources of supply of TBA products handled:

(a) Tires, tubes and rubber accessories . . . .

Approximate annual sales ($) . . . .

(b) Batteries . . . .

Approximate annual sales ($) . . . .

(c) Parts and accessories (find out from operator what, in general, constitutes "parts and accessories"). . . . . .

Approximate annual sales ($) . . . .

Reasons for purchasing TBA products from the sources listed in question 5 (above)

(a) Written Agreements . . . .

(b) Other reasons . . . .

7. The nature of any general coercion or pressure which may have been employed . . . .

8. Specific instances, if any, where coercion or pressure has been brought to bear on the outlet to induce it to handle the TBA products of any certain supplier . . . .

Are there corroborating documents? . . . .

9. (a) Does the outlet use a credit card system? . . . .

(b) Is the outlet limited in the products which can be sold through the credit card system? . . . .

(c) What proportion of the outlet's sales are paid for on this basis? . . . .

10. Does the outlet take part in any merchandising or servicing programs sponsored by the gasoline company? If so what are the arrangements and what effect do they have on the products sold by the outlet? . . . .

11. Does the outlet contribute anything to the cost of any other advertising by the gasoline company or to the cost of maintaining the credit card system? If so, get details . . . .

12. Additional comments, impressions, etc. . . . .

Interviewed by . . . .

Date . . . .

APPENDIX IV

Questionnaires to Manufacturers and Suppliers, and to Wholesalers of Service Station Products and Lists of Companies to whom Questionnaires Were Sent

Manufacturers and Suppliers

This questionnaire was sent in 1958 to manufacturers and pliers of automotive lubricating oils, greases, anti-freeze, additives, s and tubes, batteries and accessories.

Questionnaire

In the matter of an inquiry under Section 42 of the Combines Investigation Act relating to the distribution and sale of automotive oils and greases, anti-freeze, tires, batteries, parts, accessories and related products

Questionnaire to Suppliers of Automotive Products

t I

Please submit the following information with regard to the tory of the Company:

(a) The full corporate name of the Company.

(b) The head office address of the Company and, if incorporated outside Canada, the address of the registered office in Canada.

(c) The names and addresses of any companies engaged in refining or selling petroleum or derived products or engaged in manufacturing or selling anti-freeze or additive products, motor vehicle tires, batteries, parts or accessories, in which the Company has any stock interest, showing the extent of such interest in each case and the business in which each such company is engaged.

(d) The names and addresses of any companies engaged in refining or distributing petroleum or derived products

or engaged in manufacturing or selling anti-freeze or additive products or motor vehicle tires, batteries, parts or accessories, which have any stock interest in the Company, showing the extent of such interest in each case and the business in which each such company is engaged.

(e) If the Company is a subsidiary of another company, not described in (d), please submit the name and address of such company, the business in which it is engaged, and th extent of its interest in the Company.

2. Please list the products which the Company sells and indicate which such products are for use in the operation or maintenance of motor vehicles.

Part II

3. Please state for each of the years 1955 and 1956:

(a) The total gross value of sales f. o. b. plant or plant warehouse of all products sold by the Company.

(b) The total gross value of sales f. o. b. plant or plant warehouse of each such product which is for use in the operation or maintenance of motor vehicles.

4. (a) Please state and define the classes of customers to whom sales were made of the products referred to in paragraph 3 (b) in 1955 and 1956, who in turn sold (to the knowledge of the Company) to retail outlets.

(b) Please state for each of the years 1955 and 1956 the total gross value of sales f. o. b. plant or plant warehouse of each of the products referred to in paragraph 3 (b) made to each class of customer as listed in your reply to paragraph 4 (a). If the value of sales cannot be stated for each class of customer, please indicate approximate proportions of the total gross factory or refinery values listed in reply to paragraph 3 (b) which may be assigned to each class of customer.

(c) Please list the names and addresses of those customers included as of December 31, 1957, in each class referred to in paragraph 4 (a).

5. (a) Please state whether the Company, since January 1955, has been a party to any agreement whereby the Company pays an "overriding commission" or any other considerati

to a producer or distributor of petroleum products for the privilege of selling the Company's products to or through retail outlets operated, controlled or supplied by such producer or distributor. If so, please state the name and address of each such producer or distributor; the period during which the Company has been a party to any such agreement; the region or province covered by the agreement; and attach a copy of each such agreement. If any such agreements are verbal, please state, in addition, the products to which each applies and the terms of each agreement.

(b) Please state for each of the years 1955 and 1956 the total gross value f. o. b. plant or plant warehouse of each product referred to in paragraph 3 (b) sold pursuant to each agreement referred in paragraph 5 (a).

(c) Please state the total amounts paid in 1955 and 1956 to each producer or distributor of petroleum products under the agreements listed in reply to paragraph 5 (a).

(d) Please state whether the Company since January 1955 has been a party to any agreement similar to any agreement listed in reply to paragraph 5 (a), with any other party than a producer or distributor of petroleum products. If so, please state the name and address of each such party, and attach sample copies of any such agreements, or, where the agreements are verbal, state the products to which they apply and the terms of such agreements.

(a) Please state whether the Company's products referred to in paragraph 3 (b) are sold under the Company's brand or under customers' brands.

(b) (i) Please list the Company's brand names for its products.

(ii) Please list the customers' brands, if any, and the names of the customers to whom such brands are supplied.

(c) Please state for each of the years 1955 and 1956 the proportions of the value of each of the Company's products referred to in paragraph 3 (b) sold:

(i) under the Company's brand names.

(ii) under each customers' brand name.

7. (a) State whether there are any classes of retail petroleum outlets to or through which the Company is precluded from selling its products by reason of lack of an agreement with the oil company supplying gasoline to such outlets or otherwise. If so, explain the reason and give the name of the oil company.

(b) Could the Company, if it wished to do so, have an agreeme with any oil company mentioned in reply to paragraph 7 (a) for the sale of its products to or through the petroleum outlets supplied by such oil company. If so, indicate the terms and conditions of such an agreement.

8. (a) Has the Company, since 1950, sold any products to or through retail petroleum outlets without an agreement to pay an overriding "commission" or other consideration to the oil company supplying such outlets with gasoline.

(b) If so, please state for each of the years 1955 and 1956 the total gross value f. o. b. plant or plant warehouse of sales of each product referred to in paragraph 3 (b) made to customers referred to in paragraph 8 (a). If such information cannot be supplied, state the approximate proportion of each gross value given in reply to paragraph 3 (b) which may be assigned to such customers.

Ottawa
May 5, 1958

List of Companies to Whom Manufacturers' and Suppliers' Questionnaire Was Sent

Company	Reply Received
Accessory Manufacturers Limited: Halifax, N. S.	Yes
J. C. Adams Company Limited: Toronto, Ont.	Yes
Admiral Sanitation Limited: Toronto, Ont.	No
Ajax-Precision Manufacturing Company Limited: Toronto, Ont.	Yes
Alberta Battery Company Limited: Calgary, Alta.	Yes
The Alpha Chemical Company: Kitchener, Ont.	No
American Optical Company Canada Limited: Toronto, Ont.	Yes
Apco Sales Limited: Leaside, Ont.	Yes
D. Appleby and Company of Canada Limited: Toronto, Ont.	Yes
Armet Industries Limited: Guelph, Ont.	Yes
Arndt-Palmer Laboratories of Canada Limited: Windsor, Ont.	No
Asbestonos Corporation Limited: Montreal, P. Q.	No
Auto Fabric Products Company Limited: Montreal, P. Q.	Yes
Auto-lite Batteries of Canada Limited: Toronto, Ont.	No
Automotive Hardware Limited: Toronto, Ont.	Yes
Automotive Industries: Winnipeg, Man.	Yes
Autoseat Cover Company: Montreal, P. Q.	Yes
Armor Limited: Montreal, P. Q.	No
Ayers Limited: Lachute, P. Q.	Yes
B. and B. Auto Safety Belt: Brantford, Ont.	No
Bardahl Lubricants Limited: Montreal, P. Q.	Yes
Bates Innes Limited: Carleton Place, Ont.	No
Bendix-Eclipse of Canada Limited: Windsor, Ont.	Yes
Bisco Automotive Products: Toronto, Ont.	No
Black & White Fur Products: Toronto, Ont.	No
Bowes "Seal Fast" Company Limited: Hamilton, Ont.	Yes
Boyle-Midway (Canada) Limited: New Toronto, Ont.	Yes
Bradford-Penn Oil Limited: Toronto, Ont.	Yes
Brandon Woollen Mills Company Limited: Brandon, Man.	Yes
Brandram-Henderson Limited: Montreal, P. Q.	Yes
British American Chemical Company Limited: Vancouver, B. C.	Yes
The British Rubber Company Limited: Lachine, P. Q.	Yes
Brooks Oil Company: Hamilton, Ont.	Yes
Budget Products Limited: West Lorne, Ont.	Yes
Burgess Battery Company: Niagara Falls, Ont.	Yes
By-Products Company of Canada: Toronto, Ont.	Yes
Canada Matting Company: Toronto, Ont.	No
Canada Motor Products Limited: Toronto, Ont.	Yes
Canada Wire and Cable Company Limited: Toronto, Ont.	Yes

40. Canadian Automotive Trim Limited: Windsor, Ont. Ye
41. Canadian Fairbanks-Morse Company Limited: Montreal, P.Q. Ye
42. Canadian General Electric Company Limited: Toronto, Ont. Ye
43. Canadian Industrial Alcohols and Chemicals Limited: Montreal, P. Q. Ye
44. Canadian Industries Limited: Montreal, P. Q. Ye
45. Canadian Marconi Company: Montreal, P. Q. Ye
46. Canadian Motor Lamp Company Limited: Windsor, Ont. Ye
47. Canadian Pep Manufacturing Company Limited: Toronto, Ont. No
48. Canadian Permag Products Limited: Montreal, P. Q. Ye
49. Canadian Petroleum Company Limited: Montreal, P. Q. No
50. Canadian Radiator Manufacturing Company Limited: Toronto, Ont. Ye
51. Canadian Rubber Products Company Limited: Toronto, Ont. No
52. Canadian Sanitary Supplier Limited: Hamilton, Ont. No
53. The Canadian Shaler Products Company Limited: Toronto, Ont. Ye
54. Canadian Westinghouse Company Limited: Hamilton, Ont. Ye
55. Capilano Engineering Company Limited: Vancouver, B. C. No
56. Capital Metal Industries Limited: Toronto, Ont. Ye
57. The Capo Polishes Limited: Hamilton, Ont. No
58. Carbide Chemicals Company: Montreal, P. Q. No
59. Hugh Carson Company Limited: Ottawa, Ont. Ye
60. James B. Carter Limited: Winnipeg, Man. Ye
61. Casselman Company Limited: Toronto, Ont. No
62. Castrol Oils (Canada) Limited: Long Branch, Ont. Ye
63. Century Engineering Company Limited: Toronto, Ont. Ye
64. Champion Spark Plug Company of Canada Limited: Windsor, Ont. Ye
65. Champion Tire Chain Company Limited: Montreal, P. Q. Ye
66. Cipel (Canada) Limited: Valleyfield, P. Q. Ye
67. Commercial Alcohols Limited: Montreal, P. Q. Ye
68. Commercial Chemicals Limited: Dixie, Ont. Ye
69. The Commercial Oil Company of Hamilton Limited: Hamilton, Ont. Ye
70. Congress Oil Company: Montreal, P. Q. Ye
71. Coulter Copper and Brass Company Limited: Toronto, Ont. No
72. Coyle Batteries Limited: Vancouver, B. C. No
73. Crescent Oil Company of Canada: Hamilton, Ont. No
74. Cross Polishes Company: Toronto, Ont. No
75. Cuno Lighter Company Limited: Windsor, Ont. Ye
76. Dafew Tool and Manufacturing Company Limited: Toronto, Ont. Ye
77. Davies, Irwin Limited: Montreal, P. Q. Ye
78. Dayton Rubber Company (Canada) Limited: Toronto, Ont. Ye
79. Delta Chemicals Limited: Brantford, Ont. No
80. Dessaulniers Brothers: Vancouver, B. C. No
81. Dill Manufacturing Company of Canada Limited: Toronto, Ont. Ye

.	Diversified Research and Sales Limited: Toronto, Ont.	Yes
,	Dominion Auto Accessories Limited: Toronto, Ont.	Yes
.	Dominion Chain Company Limited: Niagara Falls, Ont.	Yes
.	Dominion Rubber Company Limited: Montreal, P. Q.	Yes
.	Dominion Sanitary Wiper Company Limited: Montreal, P. Q.	Yes
.	Dow Chemical of Canada Limited: Toronto, Ont.	Yes
3.	E. F. Drew and Company Limited: Ajax, Ont.	No
).	Dunlop Canada Limited: Toronto; Ont.	Yes
).	Duplate Canada Limited: Toronto, Ont.	Yes
.	Du Pont Company of Canada (1956) Limited: Montreal, P.Q.	Yes
.	Dussek Bros. (Canada) Limited: Belleville, Ont.	Yes
3.	Eastern Converters Limited: Summerside, P. E. I.	No
.	Eaton Automotive Products Limited: London, Ont.	Yes
5.	Eaton Chemical and Dyestuff Company: Toronto, Ont.	Yes
5.	Economic Products Limited: Montreal, P. Q.	No
7.	Elasko Products: Toronto, Ont.	No
3.	Electric Auto-Lite Limited:Sarnia, Ont.	Yes
9.	Electroline Manufacturing Company Limited: Windsor, Ont.	No
).	Electronic Components Limited: Toronto, Ont.	No
1.	Ensign Industrials Limited: St. Catharines, Ont.	Yes
2.	Essex Wire Corporation Limited: Windsor, Ont.	No
3.	Evans and Company (1952) Limited: Montreal, P. Q.	No
4.	Fabricated Steel Products (Windsor) Limited: Windsor, Ont.	No
5.	Federal Wire and Cable Company Limited: Guelph, Ont.	Yes
6.	La Filature de l'Isle Verte, Ltee: Isle Verte, P. Q.	No
7.	The Firestone Tire and Rubber Company of Canada Limited: Hamilton, Ont.	Yes
8.	Flaherty Manufacturing Company Limited: Hamilton, Ont.	Yes
9.	Fram Canada Limited: Stratford, Ont.	Yes
0.	Gasaccumalator Company (Canada) Limited: Toronto, Ont.	No
1.	The General Tire and Rubber Company of Canada Limited: Leaside, Ont.	No
2.	Giant Battery Company Limited: Toronto, Ont.	Yes
3.	The Glidden Company Limited: Toronto, Ont.	Yes
4.	Globe-Union Canada (1953) Limited: Ajax, Ont.	Yes
5.	Globelite Batteries Limited: Winnipeg, Man.	No
16.	Gooderham and Worts Limited: Toronto, Ont.	Yes
17.	B. F. Goodrich Canada Limited: Kitchener, Ont.	Yes
8.	The Goodyear Tire and Rubber Company of Canada Limited, New Toronto, Ont.	Yes
19.	Gould-National Batteries of Canada Limited: Toronto, Ont.	Yes
20.	H. Gray and Company Limited: Montreal, P. Q.	Yes
21.	Great Northern Chemical Company Limited: Toronto, Ont.	Yes
22.	G. L. Griffith and Sons Limited: Stratford, Ont.	Yes
23.	Gutta Percha and Rubber Limited: Toronto, Ont.	Yes
24.	Haca Supplies: Hamilton, Ont.	No
25.	The Hammer Pump Company: Shelbourne, Ont.	No
26.	Hanning-Electric Company Limited: St. John's, Nfld.	Yes
27.	Eric H. Hardman Limited: Toronto, Ont.	Yes

128.	Hart Battery Company (1957) Limited: St. Johns, P. Q.	No
129.	Hastings Limited: Toronto, Ont.	Yes
130.	Edward Hawes Company Limited: Toronto, Ont.	Yes
131.	Hay Battery Company Limited: Hamilton, Ont.	No
132.	Hochelaga Petroleum Company: Montreal, P. Q.	No
133.	J.I. Holcomb Manufacturing Company, Canada, Limited: Toronto, Ont.	No
134.	Holland Chemicals Limited: Windsor, Ont.	No
135.	R.M. Hollingshead Company of Canada Limited: Toronto, Ont.	No
136.	Houdaille Industries Limited: Oshawa, Ont.	Yes
137.	E.F. Houghton & Company of Canada, Limited, Toronto, Ont.	Yes
138.	Hydra-Clene Corporation of Canada Limited: Cornwall, Ont.	Yes
139.	The Imperial Flo-glaze Paints Limited: Toronto, Ont.	Yes
140.	Imperial Optical Company Limited: Toronto, Ont.	Yes
141.	Independent Petroleum Corporation: Montreal, P. Q.	No
142.	International Equipment Company Limited: Montreal, P.Q.	Yes
143.	International Varnish Company Limited: Toronto, Ont.	Yes
144.	Interprovincial Chemicals Limited: Edmonton, Alta.	Yes
145.	S.C. Johnson and Sons Limited: Brantford, Ont.	Yes
146.	Kendall Refining Company of Canada Limited: Toronto, Ont.	No
147.	Kleen-Flo Corporation: Montreal, P. Q.	Yes
148.	Kralinator Limited: Preston, Ont.	Yes
149.	John M. Lalor and Company Limited: Toronto, Ont.	Yes
150.	Lasalle Lead Products Limited; Windsor, Ont.	No
151.	S.F. Lawrason and Company Limited: London, Ont.	Yes
152.	Leigh Textiles (Canada) Limited: Montreal, P. Q.	No
153.	Ward Leonard of Canada Limited: Toronto, Ont.	No
154.	Lorne Manufacturing Company Limited: Winnipeg, Man.	No
155.	Magnus Chemicals Limited: Montreal, P. Q.	No
156.	Mallory Battery Company of Canada Limited: Toronto, Ont.	Yes
157.	Mansfield Rubber (Canada) Limited: Barrie, Ont.	Yes
158.	Marmac Oil Company Limited: Winnipeg, Man.	No
159.	Marson (Canada) Limited: Toronto, Ont.	No
160.	Marvel Products Company Limited: Montreal, P. Q.	Yes
161.	Master Textiles Limited: Winnipeg, Man.	No
162.	McAleer Manufacturing Company Limited: Toronto, Ont.	Yes
163.	McCord Corporation: Windsor, Ont.	Yes
164.	McKinnon Columbus Chain Company Limited: St. Catharines, Ont.	Yes
165.	The McKinnon Industries Limited: St. Catharines, Ont.	Yes
166.	Mercury Chemical Company Limited: Windsor, Ont.	No
167.	Mercury Varnish Company Limited: St. Catharines, Ont.	Yes
168.	Midland Industries Limited: Midland, Ont.	Yes
169.	The Mitchell Button Company Limited: Kitchener, Ont.	Yes
170.	Mixtrol Oil Company: Toronto, Ont.	No
171.	Mobil Oil of Canada, Limited: Calgary, Alta.	Yes
172.	Monahan Supply Corporation Limited: Toronto, Ont.	No

3.	Montreal Products Company Limited: Montreal, P. Q.	Yes
4.	Benjamin Moore and Company Limited: Toronto, Ont.	Yes
5.	Moser Manufacturing Company Limited: Winnipeg, Man.	No
6.	National Carbon Company: Toronto, Ont.	No
7.	National Petroleum Limited: Montreal, P. Q.	Yes
8.	National Rubber Company Limited: Toronto, Ont.	Yes
9.	National Waste Mfg. Limited: Vancouver, B. C.	No
0.	Nelore Corporation (Canada) Limited: Toronto, Ont.	No
1.	North American Lubrication Company Limited: Winnipeg, Man.	Yes
2.	Northern Machinery Company: Montreal, P. Q.	No
3.	Ontario Gasoline and Oil Company: Toronto, Ont.	No
4.	The Ontario Lubricating Company Limited: Hamilton, Ont.	Yes
5.	Ontario Metal Specialties Company Limited: Bronte, Ont.	No
6.	Ontario Steel Products Company Limited: Toronto, Ont.	Yes
7.	Page Brothers Products Limited: Brampton, Ont.	No
8.	Palcoseal Manufacturing Company Limited: Cornwall, Ont.	Yes
9.	Panther Oil and Grease Manufacturing Company of Canada: Leaside, Ont.	Yes
0.	H. Paulin and Company Limited: Toronto, Ont.	No
1.	Peerless Motor Products Limited: Calgary, Alta.	No
2.	Pennsylvania Gasoline Company, Limited: Montreal, P. Q.	No
3.	Pennsylvania Oil Products Company: Montreal, P. Q.	Yes
4.	Perfection Automotive Products (Windsor) Limited: Windsor, Ont.	No
5.	Phillips Electrical Company Limited: Brockville, Ont.	Yes
6.	Prest-O-Lite Battery Company Limited: Toronto, Ont.	No
7.	E. Pullen Wipers and Waste Company Limited: Toronto, Ont.	Yes
8.	Purolator Products (Canada) Limited: Toronto, Ont.	Yes
9.	Pye Canada Limited: Toronto, Ont.	Yes
0.	Pyrene Manufacturing Company of Canada Limited: Toronto, Ont.	Yes
1.	Quaker State Oil Refining Company of Canada Limited: Toronto, Ont.	Yes
2.	Quality Oil Company: Montreal, P. Q.	No
3.	R. C. A. Victor Company Limited: Montreal, P. Q.	Yes
4.	Radiator Specialty Company of Canada Limited: Toronto, Ont.	No
5.	Ray-O-Vac (Canada) Limited: Winnipeg, Man.	Yes
6.	Renton Distributors Limited: Vancouver, B. C.	Yes
7.	Rinshed-Mason Company of Canada Limited: Windsor, Ont.	Yes
8.	Robert Chemical Company Limited: Montreal, P. Q.	No
9.	Robinson Collo Canada Limited: Toronto, Ont.	No
0.	Roy Chemicals and Sales: Windsor, Ont.	No
1.	Royal Triton Oil Company: Toronto, Ont.	Yes
2.	A. C. Rubber Manufacturing Company Limited: Vancouver, B. C.	Yes
3.	Safety Supply Company: Toronto, Ont.	Yes

214. St. Johns Metal Stamping Company Limited: St. Johns, P. Q. No
215. A. J. Sales Company Limited: Ridgetown, Ont. Yes
216. Sapoline Company Limited: Walkerville, Ont. No
217. Scovill Manufacturing Company: Toronto, Ont. No
218. Scythes and Company Limited: Toronto, Ont. Yes
219. Seal-Dri Sportswear Company of Canada Limited; Sherbrooke, P. Q. No
220. Sehl Engineering Limited: Kitchener, Ont. Ye
221. Seiberling Rubber Company of Canada Limited: Toronto, Ont. No
222. Sendel and Sendel Limited: Montreal, P. Q. No
223. The Sherwin-Williams Company of Canada Limited: Montreal, P. Q. Ye
224. Service Specialty Company Limited: Montreal, P. Q. Ye
225. Simms Motor Units of Canada Limited: Toronto, Ont. Ye
226. Simoniz Company Limited: Toronto, Ont. Ye
227. The Slinsby Manufacturing Company Limited: Brantford, Ont. Ye
228. Snap Manufacturing Limited: Montreal, P. Q. Ye
229. Snowdon, C. C. : Calgary, Alta. Ye
230. S. S. Stafford Company Limited: Toronto, Ont. Ye
231. Geo. Stambler and Company Limited: Toronto, Ont. No
232. Standard Chemical Limited: Montreal, P. Q. Ye
233. Standen's Limited: Calgary, Alta. No
234. Starco Products Limited: Toronto, Ont. Ye
235. Sterilized Wiper Towel Supply: Ottawa, Ont. Ye
236. Stewart-Warner Corporation of Canada Limited: Belleville, Ont. Ye
237. Stor-Aid of Canada Limited: Oakville, Ont. Ye
238. The Strathroy Woollen Mills Limited: Strathroy, Ont. No
239. Stratoflex of Canada Incorporated: Toronto, Ont. No
240. Stuart (D. A.) Oil Company Limited: Toronto, Ont. Ye
241. Superior Biochemicals of Canada Limited: Toronto, Ont. No
242. Tidewater Oil Company (Canada) Limited: Long Branch, Ont. Ye
243. Tilton's Wax Limited: Vancouver, B. C. Ye
244. Trimco Products Limited: Galt, Ont. No
245. Trilon Chemicals Limited: Montreal, P. Q. Ye
246. The J. A. Tumbler Laboratories Limited: Toronto, Ont. No
247. Union Petroleum Corporation: Montreal, P. Q. No
248. Valvoline Oil Company of Canada Limited: Toronto, Ont. Ye
249. Visco Petroleum Products Limited: Toronto, Ont. Ye
250. Vix Products Company: Windsor, Ont. No
251. Waffle Industries Limited: Chatham, Ont. No
252. Wagner Brake Company Limited: Weston, Ont. Ye
253. Warco Grease and Oil Limited: Toronto, Ont. No
254. W. L. Webster Manufacturing Limited: Riverside, Ont. No
255. West Coast Woollen Mills Limited: Vancouver, B. C. Ye
256. Western Filters Limited: Montreal, P. Q. No

7.	Windsor Manufacturing Company Limited: Winnipeg, Man.	No
8.	Winston Plastics Limited: Scarborough, Ont.	Yes
9.	M. Wintrob & Sons Canada Limited: Toronto, Ont.	Yes
0.	Wiper's and Waste Products Limited: Toronto, Ont.	No
1.	Wix Accessories Corporation Limited: Toronto, Ont.	No
2.	XZIT Chemical Company Limited: Vancouver, B.C.	No
3.	Hood Products of Canada: Regina, Saskatchewan	No

The replies to the questionnaires sent to Canadian Fair-
nks-Morse Company Limited, Montreal, P.Q. and to Hugh Carson
mpany Limited, Ottawa, indicated the companies were wholesalers
automotive products and therefore these replies were included in the
alysis of wholesalers.

Wholesalers

This questionnaire was sent .n 1959 to automotive whole-
ers. A questionnaire with appropria e covering letter in the French
guage was used for French-speaking wholesalers in Quebec.

Questionnaire

In the matter of an inquiry under Section 42 of the Combines Investigation Act relating to the distribution and sale of automotive oils and greases, anti-freeze, tires, batteries, parts, accessories and related products

Questionnaire to Wholesalers of Automotive Products

rt 1

1. Please submit the following information concerning the Company:

   (a) The full, corporate name of the Company.

   (b) The Head Office address of the Company and if incorporated outside Canada, the address of the registered Canadian office.

   (c) The addresses of any branches operated by the Company in Canada.

2. If the Company is a subsidiary of any other Company pleas state:

   (a) The name of the parent company.

   (b) The address of the parent company.

   (c) The type of business of the parent company.

   (d) The extent of the parent company's interest in the Company.

3. (a) If the Company controls any subsidiary companies, please indicate:

   (i) The names and addresses of such companies.

   (ii) The nature of the businesses of such companies.

   (iii) Whether the information given in answer to the questions below includes the operations of such subsidiaries:

   (b) If the information given below does not include the operations of such subsidiaries please submit a reply to the questionnaire for each such subsidiary carrying on business in the automotive wholesale field.

4. (a) Please state whether the Company operates at the retail level as well as at the wholesale level.

   (b) If the Company sells at retail, please submit the addresses of the Company's retail outlets and indicate whether they are operated in conjunction with wholesale operations or not.

Part 11

5. Please provide for each of the years 1955 and 1956 the following information on sales by the Company:

	1955	1956
(a) Total gross value of retail sales by the Company of all commodities.	- - -	- - -

(b) Total gross value, f. o. b. Company warehouse, of sales at wholesale of all commodities - - - - - -

OR

Total gross value delivered of sales at wholesale of all commodities; - - - - - -

TOGETHER WITH

The percentage or estimated percentage of total gross value of such sales at wholesale which may be attributed to delivery charges. - - - - - -

6. Please indicate whether the Company sells at wholesale any or all of the following commodities and for each of the years 1955 and 1956 state the gross value of the wholesale sales of each such commodity or estimate the percentage of total wholesale sales reported in paragraph 5(b) that each such commodity accounts for: (In answering this question please use the same basis for wholesale sales, i. e. f. o. b. Company warehouse or delivered, as used in replying in paragraph 5(b)

Commodity	Sold		Gross value of sales at wholesale, OR Percentage of total sales at wholesale.	
	Yes	No	1955 $ or %	1956 $ or %
(i) Automotive lubricating oils	- -	- -	- - -	- - -
(ii) Automotive greases	- -	- -	- - -	- - -
(iii) Anti-freeze	- -	- -	- - -	- - -
(iv) Automotive additive products	- -	- -	- - -	- - -
(v) Automotive tires and tubes	- -	- -	- - -	- - -
(vi) Automotive storage batteries, cables, ground straps	- -	- -	- - -	- - -
(vii) Automotive accessories (see attached list of commodities in this classification) *	- -	- -	- - -	- - -
(viii) Automotive parts	- -	- -	- - -	- - -
(ix) Other commodities: Please list	- -	- -	- - -	- - -

* The items in the list attached to the questionnaire were the same as those listed under "Accessories" in Appendix I.

7. Please describe the different kinds or classes of customers to whom the Company sold the products mentioned in paragraph 6 in 1955 and 1956, particularly indicating whether the Company sells to retail gasoline service stations.

8. Please indicate or estimate in dollars or percent the proportion of the Company's wholesale sales of each of the following commodities which were made to retail gasoline service stations in 1955 and 1956: (In answering this question please use the same basis for wholesale sales, i.e. f.o.b. Company warehouse or delivered, as used in replying in paragraph 5 (b))

	Commodity	1955 Sales (Please repeat from paragraph 6) $	1955 Proportion Sold to Service Stations $ or %	1956 Sales (Please repeat from paragraph 6) .$	1956 Proportion Sold to Service Stations $ or%
(i)	Automotive lubricating oils	- - -	- - -	- - -	- - -
(ii)	Automotive greases	- - -	- - -	- - -	- - -
(iii)	Anti-freeze	- - -	- - -	- - -	- - -
(iv)	Automotive additive products	- - -	- - -	- - -	- - -
(v)	Automotive tires and tubes	- - -	- - -	- - -	- - -
(vi)	Automotive storage batteries, cables, ground straps	- - -	- - -	- - -	- - -
(vii)	Automotive accessories (as in Paragraph 6 (vii))	- - -	- - -	- - -	- - -
(viii)	Automotive parts	- - -	- - -	- - -	- - -
(ix)	Other Commodities (as in Paragraph 6 (ix))	- - -	- - -	- - -	- - -

9. (a) Please state whether, since January 1955, the Company has been a party to any agreement whereby, either alone or in conjunction with one of its supplying manufacturers, the Company pays an "overriding commission" or any other consideration to an oil company for the privilege of selling to or through retail outlets operated, controlled or supplied by such oil company. If so, please state:

(i) The name and address of each such oil company;

(ii) The name and address of any supplying manufacturer sharing the agreement with the Company;

(iii) The period during which the Company has been a party to any such agreement;

(iv) The regions or provinces covered by the agreement;

(v) And attach a copy of each such agreement.

If any such agreements are verbal, please state in addition, the products to which each applies and the terms of each agreement.

(b) Please state for each of the years 1955 to 1956, the total gross value of wholesale sales of each of the commodities referred to in Paragraph 8 which were sold pursuant to each agreement referred to in Paragraph 9 (a). (In answering this question please use the same basis for wholesale sales, i.e. f.o.b. Company warehouse or delivered, as used in replying in paragraph 5 (b)).

(c) Please state the total amounts paid in each of the years 1955 and 1956 to each oil company under each agreement referred to in Paragraph 9 (a).

(d) Please state whether since January 1955 the Company has been a party to any agreement similar to any agreement listed in reply to Paragraph 9 (a), with any other party than an oil company: for example, an automotive specialty store or a "discount" house. If so, please state the name and address of each such party and attach copies of any such agreements or, where the agreements are verbal, state the products to which they apply and the terms of such agreements.

10. (a) Please state whether there are any groups of retail gasoline service stations to or through which the Company is precluded from selling for any of the following reasons:

(i) Because, by means of agreements with specified wholesalers or otherwise, the oil company supplying such outlets restricts the automotive wholesalers who may sell to such outlets;

(ii) Because the oil company supplying such outlets sells its own brands of automotive products, in addition to oils and gasolines, to such outlets;

(iii) Because the oil company supplying such outlets restricts the service station operators to specified manufacturers' brands of automotive products which have to be purchased from the oil company in addition to oils and gasolines.

If so, give the name of the oil company concerned and the reason associated therewith.

(b) Please state whether the Company, if it wished to do so, could have an agreement with any oil company mentioned in reply to Paragraph 10 (a), for the privilege of selling to or through the gasoline service stations supplied by such oil company. If so, please indicate the terms and conditions of such an agreement

11. Has the Company, since 1950, sold any products to or through retail gasoline service stations without an agreement to pay "an overriding commission" or any other consideration to the oil company supplying such outlets with gasoline? If so, please state the name of the oil company or companies supplying such outlets. In addition, please state or estimate in dollars or percent the proportion of the Company's sales of each of the following commodities which were made to gasoline service stations <u>without an agreement</u>, in each of the years 1955 and 1956. (In answering this question please use the same basis for wholesale sales, i.e. f.o.b. Company warehouse or delivered, as used in replying in paragraph 5 (b)).

PLEASE NOTE THAT, WHERE PRECISE FIGURES ARE NOT AVAILABLE, ESTIMATES ARE ACCEPTABLE. WHEN ESTIMATES ARE USED WOULD YOU PLEASE MARK THEM "EST."

Commodity	1955 Amount sold to: All Service Stations (Please repeat from paragraph 8) $	1955 Amount sold to: Service Stations without an agreement with Oil Company $ or %	1956 Amount sold to: All Service Stations (Please repeat from paragraph 8) $	1956 Amount sold to: Service Stations without an agreement with Oil Company $ or %
(i) Automotive lubricating oils	- - -	- - -	- - -	- - -
i) Automotive greases	- - -	- - -	- - -	- - -
i) Anti-freeze	- - -	- - -	- - -	- - -
v) Automotive additive products	- - -	- - -	- - -	- - -
v) Automotive tires and tubes	- - -	- - -	- - -	- - -
i) Automotive storage batteries, cables, ground straps	- - -	- - -	- - -	- - -
i) Automotive accessories (as in Paragraph 6 (vii))	- - -	- - -	- - -	- - -
i) Automotive parts	- - -	- - -	- - -	- - -
x) Other commodities (as in Paragraph 6 (ix))	- - -	- - -	- - -	- - -

List of Companies to Whom Wholesalers' Questionnaire Was Sent

Company	Reply Received
<u>British Columbia:</u>	
1. Acme Automotive Supply: Nelson	no
2. Adams and Skea: Vancouver	yes
3. R. Angus Limited: Victoria	yes
4. Auto Marine Electric Limited: Victoria	no
5. Automotive Sales Company Limited: Victoria	no
6. Allan S. Bella Limited: Penticton	yes
7. Bearing Supply House: Prince George	no
8. Black Bros. Limited: Vancouver	yes
9. C.F. Bogart Company Limited: Vancouver	yes
10. B.C. Garage Supply Limited: Vancouver	no
11. B.C. Parts Limited: Vancouver	no
12. British Motor Products Limited: Vancouver	yes
13. Boultbee (Victoria) Limited: Victoria	no
14. Carmichael Motor Supply Limited: Vancouver	no
15. Carrington-Cairns Supply Limited: Vancouver	yes
16. Cecil Clarke Limited: Vernon	yes
17. Crawford and Company Limited: Vancouver	no
18. Delisle Auto Electric: Chilliwack	no
19. W.J. Ellis Company Limited: Kamloops	no
20. C.R. Fortin and Sons Limited: Chilliwack	yes
21. Gordon Fish Limited: Victoria	no
22. Hartman's Auto Supply Limited: Courtenay	no
23. Henderson Auto Electric Limited: New Westminister	no
24. Richard Howitt: Ladysmith	no
25. Jeffree & Jeffree Limited: Vancouver	no
26. Kirk Electric: Courtenay	yes
27. M. & M. Motor Parts Limited: Vancouver	no
28. McLennan-McFeely and Prior Ltd.: Vancouver	yes
29. Mitchell Auto Parts: Kelowna	yes
30. Motor Car Parts & Equipment House Limited: Vancouver	no
31. Northern Magneto Limited: Prince George	no
32. Paton's Automotive and Industrial Supplies Ltd.: Vancouver	yes
33. Reynolds Colgate Limited: Victoria	no
34. J. Eric Sowerby Limited: Kamloops	yes
35. Stewart Warner Sales Company Limited: Vancouver	no
36. T. Swan and Company: New Westminster	no
37. Del. E. Thomas Limited: Prince George	no
38. Thompson Auto Supply: Kelowna	no

39.	Vancouver Parts Company: Vancouver	no
40.	R. Walker & Sons Limited: New Westminster	yes
41.	Taylor & Wilton Sales: Nelson	no
42.	Whalley Automotive Limited: North Surrey	yes
43.	Whitaker & Revercomb Limited: Victoria	yes
44.	Wilson & Proctor: Victoria	yes

Alberta

45.	Baalim Wholesale Limited: Lethbridge	no
46.	Brown's Automotive Supply: Edmonton	no
47.	Century Sales Limited: Edmonton	no
48.	Duncan Automotive Limited: Calgary	yes
49.	Duncan & McCrae: Edmonton	no
50.	Dundas Supply Company: Calgary	no
51.	Edmonton Auto Parts Company: Edmonton	no
52.	Hutton's Limited: Calgary	yes
53.	Loveseth Limited: Edmonton	yes
54.	Mechanic's Supply Company: Edmonton	yes
55.	Midland Auto Wholesale Limited: Edmonton	yes
56.	Motor Car Supply Company of Canada Limited: Calgary	yes
57.	Pat's Auto Supply Company Limited: Grande Prairie	yes
58.	T. H. Peacock Limited: Calgary	yes
59.	Precision Machine and Foundry Limited: Calgary	yes
60.	Roberts & Hall Limited: Calgary	yes
61.	Standard Auto Parts Limited: Edmonton	yes
62.	Taylor, Pearson & Carson (Canada) Limited: Edmonton	yes
63.	Universal Auto Supply: Medicine Hat	yes

Saskatchewan

64.	Auto Electric Service Limited: Regina	yes
65.	Automotive Supplies Limited: Prince Albert	yes
66.	Bowman Brothers Limited: Saskatoon	yes
67.	City Auto Parts: Prince Albert	yes
68.	Continental Auto Supply: Regina	yes
69.	Davies Electric Company: Saskatoon	yes
70.	John East Automotive Supplies: Saskatoon	yes
71.	General Automotive Supply Company Limited: Saskatoon	yes
72.	Genaral Supply Company Limited: Regina	yes
73.	Great West Auto Electric Limited: Regina	yes
74.	Grosser & Glass Limited: Prince Albert	no
75.	Irwin Auto Parts Limited: Weyburn	yes
76.	King Motor Supplies Limited: Regina	no
77.	L. A. B. Auto Supplies: Moose Jaw	no

78. Lone Star Auto Electric Service Limited: Saskatoon yes
79. McKenzie Auto Equipment Limited: Regina yes
80. Mitchell Auto Parts: Shaunavon yes
81. A. A. Murphy & Sons Limited: Saskatoon yes
82. The Northern Auto Parts Limited: North Battleford no
83. Thompson Auto Supplies: Swift Current yes
84. Wheeler's Wholesale Limited: Humboldt yes
85. York Auto Supply Company: Moose Jaw no

Manitoba

86. D. Ackland & Sons Limited: Winnipeg yes
87. Automobile Supply Company Limited: Winnipeg yes
88. Automotive Industries: Winnipeg yes
89. Brown & Murray Limited: Winnipeg no
90. Brake, Drum & Shoe Service: Winnipeg yes
91. Canadian Automobile Equipment Limited: Winnipeg no
92. Cruickshank, Johnson-Hood: Brandon no
93. Gillis & Warren Limited: Winnipeg yes
94. General Auto Parts Company: Winnipeg yes
95. J. A. Keddy Limited: Brandon yes
96. Kemp & Moberley: Dauphin no
97. Lambert Parts: Swan River no
98. Manitoba Bearing Limited: Winnipeg yes
99. Marshall-Wells Canadian Companies: Winnipeg yes
100. Modern Machine Limited: Brandon no
101. Motor Parts and Supplies Company: Winnipeg no
102. Northern Auto Parts Limited: Brandon no
103. Piston Ring Auto Supply Company: Winnipeg no
104. Pritchard Engineering Company Limited: Winnipeg yes
105. John Rankin: Winnipeg no
106. S. H. Auto Supply: Winnipeg no
107. Sharpes Auto Electric: Brandon no
108. Sharpes Limited: Winnipeg yes
109. The Standard Machine Works Limited: Winnipeg yes
110. Townsend Auto Electric: Winnipeg no
111. Wesley Auto Supply Limited: Winnipeg no
112. Wilson Auto Electric Limited: Winnipeg yes

Ontario

113. A. B. C. Auto Parts: Toronto no
114. Ace Automotive Parts Company: Toronto no
115. Acme Auto Parts: Windsor yes
116. Aimco Automotive Parts Company: Toronto yes
117. Alford Automotive Limited: London yes
118. Allan Products: Windsor no
119. Allatt Auto Supply Limited: Toronto no
120. Alleway & Bedford Limited: Sault Ste. Marie no

121.	Alliston Auto Parts: Alliston	yes
122.	Ambassador Parts Limited: Windsor	no
123.	Annen Automotive Service: Windsor	no
124.	Arena Auto Parts: Windsor	no
125.	Atlas Auto Supply: Hamilton	yes
126.	C. A. Auld Supply Limited: Fort William	yes
127.	Aurora Automotive Limited: Aurora	yes
128.	Auto Body Supply Company: Toronto	yes
129.	Auto Electric Service Company Limited: Toronto	yes
130.	Auto Service & Supply: Hamilton	no
131.	The Automotive Supply Company (Toronto) Limited: Toronto	no
132.	Automotive Supply: Galt	no
133.	Bakers Auto Supply: Trenton	no
134.	Leslie Ball Auto Supplies: Clinton	no
135.	Bartlett Auto Electric Service: New Liskeard	no
136.	Bartlett Brake & Clutch Service: Toronto	no
137.	Beacon Automotive Supply: Toronto	yes
138.	Belleville Auto Electric Limited: Belleville	yes
139.	Bennet & Elliott Limited: Toronto	yes
140.	Bert's Auto Supply: Sault Ste. Marie	no
141.	Billens Automotive Limited: Toronto	no
142.	Blind River Auto Parts: Blind River	no
143.	Boe Distributing Company: Toronto	yes
144.	Bourk's Ignition Limited: Smith Falls	yes
145.	Bowland's Auto Tire Supply: Stratford	no
146.	Bowman-Anthony Limited: Windsor	no
147.	Bowmanville Auto Parts: Bowmanville	yes
148.	J. B. Boyce Automotive: Belleville	yes
149.	Bradley & Sons:; Goderich	no
150.	Brake Specialty & Parts Company: Toronto	no
151.	Brewer's Auto Electric Limited: Galt	no
152.	British Auto Supply Company: Toronto	no
153.	Brown & McMullen: Leamington	no
154.	Brown's Auto Supply: Kirkland Lake	no
155.	Brown Supply Company Limited: North Bay	no
156.	Brunswick Automotive Supply Company Limited: Toronto	no
157.	Bytown Automotive Parts & Supply Company: Ottawa	no
158.	C. & S. Auto Parts: Toronto	no
159.	Campbell Bros. Limited:; Midland	no
160.	Canadian Automotive Accessories Company: Brantford	yes
161.	Canadian Automotive Supply: Peterborough	no
162.	Canadian Bearing Limited: Toronto	no
163.	Carpenter Motor Supply Limited: Toronto	yes
164.	Carters Limited: Hamilton	no

165. Central Auto Supply: Guelph	no
166. Chalmers Auto Electric: Sarnia	no
167. Chassis Service Parts Company: Toronto	no
168. W. R. Chapman Auto Electric Limited: Oshawa	no
169. Chown Limited: Kingston	yes
170. John Cleveland: Windsor	no
171. Coleman Automotive Engineering: Windsor	no
172. Collins Bros,: Sault Ste. Marie	no
173. Lyle Cook: St. Thomas	yes
174. Cooper Automotive: Windsor	no
175. Copeland Automotive: Windsor	no
176. Copeland Reflector Products Limited: Windsor	no
177. James Cowan & Co. Limited: London	yes
178. Crang Plaza Auto Parts: Downsview	no
179. The F. L. Crowe Company Limited: Barrie	no
180. A. Cross & Company Limited: Toronto	no
181. Cumming's Motor Parts Limited: Peterborough	no
182. Davis Auto Parts: Midland	no
183. W. E. Deane Limited: Mimico	no
184. Dell's Limited: Brantford	no
185. Dell's Auto Electric Limited: Brantford	yes
186. Devon Auto Supply: Toronto	no
187. Diesel Equipment Limited: Leaside	yes
188. Dominion Auto Supply: Owen Sound	yes
189. Donnell Automotive Supplies: Toronto	no
190. Double A Supply Company: Ottawa	no
191. Dow's Auto Electric Limited: Port Arthur	yes
192. Downtown Auto Supply: Windsor	yes
193. Du-Kane Automotive Supplies: Toronto	no
194. Duncan Brothers: Sudbury	no
195. Duncan Brothers Supply Limited: Sudbury	no
196. Duke & Tiernan Limited: Leamington	yes
197. East Windsor Auto Parts: Windsor (see McKerlie Automotive Ltd)	yes
198. Edwards Sudbury Limited: Sudbury	yes
199. Eglinton Automotive Supply Company: Toronto	yes
200. Eis Automotive Corporation: Toronto	yes
201. Elgin Auto Parts: Lindsay	no
202. Evans Automotive: Woodstock	no
203. Fairmount Body Supply: London	yes
204. Federal Equipment & Supplies Limited: Toronto	no
205. Fenwick Auto Supply: Toronto	no
206. Guy A. Ferrill: Campbellford	yes
207. Anthony Foster and Sons Limited: Toronto	yes
208. Forrest's Auto Electric Limited: Toronto	no
209. George E. Francis: Merriton	no
210. Frontenac Auto Electric Service: Kingston	no
211. Garage Service and Parts Supply: Toronto	no

212. Garage Supply Company Limited: Toronto yes
213. Garage Supply (Belleville) Limited: Belleville yes
214. Garage Supply (Hamilton) Limited: Hamilton yes
215. Garage Supply (Kitchener) Limited: Kitchener yes
216. Garage Supply (Orillia) Limited: Orillia yes
217. Garage Supply (St. Catharines) Limited:
St. Catharines yes
218. Garrack's Auto Service: Windsor no
219. General Auto Supply Limited: Kitchener no
220. General Auto Parts & Service Company: Toronto no
221. General Motors Products of Canada Limited: Oshawa yes
222. Godfrey Automotive: Toronto no
223. Goodman's Auto Parts Limited: Newarket no
224. Gordon's Auto Supply: Hamilton no
225. Graymar Automotive: Toronto no
226. Guaranty Motor Company Limited: Hamilton yes
227. Guelph Auto Electric Limited: Guelph no
228. Halcrow Auto Parts: Owen Sound yes
229. Hall Home & Auto Supply: Campbellford no
230. Hamilton Auto Parts Company Limited: Hamilton no
231. Hamilton Auto Supply Limited: Hamilton yes
232. Hamilton Automotive Supply: Stouffville no
233. Harnden & Newell Limited: Timmins yes
234. Harris Auto Electric Limited: Barrie no
235. Harry's Automotive Supplies: St. Catherines no
236. Heimpel Automotive: Kitchener no
237. Halpert Auto Supply: Sudbury yes
238. Highway Automotive Supply Company: Toronto no
239. W. Hodder & Company: Toronto yes
240. Howard's Auto Parts Limited: Sault St. Marie no
241. Howitt Battery & Electric Service Company
Limited: Windsor no
242. Humber Automotive: Woodbridge no
243. Ideal Supply Company Limited: Listowel yes
244. Ingersoll Auto Electric: Ingersoll no
245. Jackson Supply Limited: Oshawa yes
246. Keyes Supply Company Limited: Ottawa no
247. Kitchener Auto Electric Limited: Kitchener no
248. Kitchener Auto Parts Limited: Kitchener yes
249. K-W Automotive Service Limited: Kitchener yes
250. Labombard Chatham Limited: Chatham yes
251. Labombard's Wallaceburg Limited: Wallaceburg no
252. Lakeshore Auto Parts: New Toronto yes
253. Lang & Jewell Limited: Windsor no
254. Levy Auto Parts Company Limited: Toronto yes
255. Lindsay Motor Parts: Lindsay no
256. Listowel Auto Supply: Listowel no
257. Cameron Logan: Scottland no

258.	London Auto Supply Limited: London	no
259.	MacBaeker Auto Supplies: Brussels	no
260.	MacKenzie, Milne and Company Limited: Sarnia	yes
261.	Manning Automotive: Chatham	no
262.	P. H. McKenty: Windsor	no
263.	McKerlie Automotive Limited: London	yes
264.	W. H. McLean Limited: Windsor	no
265.	McLeod & Richmond Limited: Brampton	yes
266.	McMullen Supplies Limited: Ottawa	yes
267.	McNauthton's Automotive: Newbury	no
268.	Melfort Equipment Limited: Fort Francis	no
269.	Midtown Auto Supply (Windsor) Limited: Windsor	yes
270.	Mimico Automotive Supplies Company Limited: Mimico	no
271.	Moore Auto Supply: Hamilton	yes
272.	Motive Parts & Equipment Limited: Toronto	yes
273.	Motor Accessory & Supply Company Limited: Toronto	no
274.	Motor Trade Supply Company: Toronto	no
275.	Mount Forest Auto Supply: Mount Forest	no
276.	A. C. Mountain: Hamilton	no
277.	Murphy-Deacon-Manor Company Limited: Ottawa	no
278.	Murray Auto Parts Limited: Hamilton	no
279.	Muskoka Auto Parts Limited: Huntsville	no
280.	National Auto Supply Company: Hamilton	no
281.	Ned's Auto Supplies Limited: London	no
282.	Nelson & Rigby Limited: Niagara Falls	yes
283.	Niagara Auto Supply Company: St. Catherines	no
284.	Nicol & Johnson Auto Electric Limited: St. Thomas	yes
285.	North Bay Auto Electric Limited: North Bay	yes
286.	North Bay Auto Supply Limited: North Bay	yes
287.	North End Auto Supply (Toronto) Limited: Toronto	yes
288.	North End Auto Supply: Sarnia	no
289.	Northern Auto Supply Company Limited: Kirkland Lake	no
290.	Nourse Automotive Parts Limited: Toronto	no
291.	Oakville Automotive Company: Oakville	no
292.	Oakville Auto Supply: Oakville	no
293.	Ontario Auto Parts Company Limited: Sudbury	yes
294.	Ontario Auto Parts: Toronto	no
295.	Ontario Auto Supply: St. Catherines	yes
296.	Ontario Motor Supplies: London	no
297.	Orillia Motor Supply: Orillia	no
298.	John Parry & Company: Orillia	no
299.	Parry Sound Auto Parts: Parry Sound	no
300.	Peninsular Supply Company: Welland	no
301.	Petroleum Research Co. of Canada: Toronto	no
302.	Piston Ring Specialty Company: Toronto	no
303.	Peterborough Automotive Supply Limited: Peterborough	no

304.	Piston Service: Hamilton	no
305.	Clare Poehlman: Windsor	yes
306.	Port Perry Auto Parts: Port Perry	no
307.	Potter & Kerr Limited: Port Arthur	no
308.	Powell Auto Service Company Limited: Renfrew	yes
309.	Provincial Automotive Trading Company: Toronto	no
310.	Queen City Auto Parts: Toronto	no
311.	Redfern Automotive Supply: Toronto	no
312.	Herb Reinholdt Limited: Scarborough	no
313.	Remington Auto Supply Company: Windsor	no
314.	Rex Motor Products Limited: Toronto	no
315.	River Drive Automotive Supply: Corunna	no
316.	Riverview Automotive Machine Company: Brantford	no
317.	Herb Robinson Wholesale Limited: Oshawa	yes
318.	Rogers Automotive Parts Supply Company Limited: Toronto	no
319.	Rogers Automotive Supply: Orangeville	no
320.	Royal Auto Parts & Accessories: Toronto	no
321.	Russell, Willis, & Crispo Limited: Toronto	yes
322.	Sadler's Auto Electric Limited: St. Catherines	no
323.	St. Clair Automotive Supply Limited: Toronto	no
324.	St. Lawrence Oil & Supply Company Limited: Gananoque	yes
325.	St. Thomas Automotive Supply Limited: St. Thomas	no
326.	Scarboro Automotive Supply: West Hill	yes
327.	Schlichter's Limited: Kitchener	yes
328.	Scott Automotive Supply: Paris	no
329.	Service Parts Limited: Windsor	no
330.	Shannon Automotive Parts Limited: St. Catherines	no
331.	Short's Auto Supplies: Windsor	no
332.	Sidey Auto Supply Limited: Peterborough	no
333.	Simcoe Auto Electric: Simcoe	no
334.	Simplex Motor Parts Limited: Toronto	yes
335.	Frank Slater Limited: Owen Sound	no
336.	Slater's Auto Electric Limited: Owen Sound	yes
337.	Smyth & Williams: Toronto	no
338.	Spooner Auto Supplies: Toronto	yes
339.	A. A. Spurgeon: Chatham	no
340.	Standard Auto Parts: East Windsor	no
341.	Standard Auto Supply: Hamilton	no
342.	Standard Motor Replacements Limited: Toronto	yes
343.	Stanfield Automotive Limited: London	no
344.	Star Auto Parts Company: Toronto	yes
345.	Sterling Automotive Parts: Windsor	no
346.	Allan Stevenson Products Limited: Windsor	yes
347.	Stone's Auto Supply Company: Toronto	no
348.	Stortz Auto Supply Limited: Welland	yes
349.	Strobridge Auto Supply: Brantford	no

350. Superior Automotive Supplies Limited: Toronto	no
351. Taylor & Wheeler Auto Supply: Weston	no
352. Thomas Auto Supply: Galt	yes
353. Tire Chains & Accessories Limited: Toronto	no
354. Torgis Automotive Limited: Barrie	no
355. A. L. Torgis & Son Limited: Toronto	yes
356. Towe & Towe: London	yes
357. Cliff Towle Limited: Peterborough	yes
358. Towns Automotive Supply: Toronto	yes
359. Samuel Trees & Company Limited: Toronto	no
360. Twin City Auto Parts Limited: Kitchener	yes
361. United Industrial - Automotive Company (Lake Head) Limited: Fort William	no
362. United Supply (Timmins) Limited: Timmins	yes
363. Universal Ignition & Battery: London	no
364. Van's Automotive Supplies: Windsor	no
365. Van Wagner's (Toronto) Limited: Toronto	no
366. Walker Automotive & Machine: Chatham	no
367. Wallaceburg Automotive: Wallaceburg	no
368. Walkwood Limited: Lindsay	no
369. Ward Equipment & Chemical Sales Company: Toronto	no
370. Warren Supply Limited: Tillsonburg (see McKerlie Automotive Ltd.)	yes
371. Welch & Johnston Limited: Ottawa	yes
372. Westway Auto Electric Limited: Toronto	no
373. Whitaker Auto & Industrial Supplies: Woodstock	no
374. Whitehead German Limited: Toronto	yes
375. The Whitelaw Machinery Company: Woodstock	yes
376. J. E. Willis Limited: Toronto	yes
377. Wilson Auto Parts: Cornwall	no
378. Wilson's Automotive: Belleville	no
379. Windsor Auto Parts: Windsor	no
380. Windsor Automotive Supply Company Limited: Windsor	no
381. Windsor Industrial Supplies & Parts Limited: Windsor	yes
382. Winsor Automotive Service: Sudbury	no
383. Wolsey Automotive Limited: Sarnia	yes
384. Woodstock Auto Electric: Woodstock	no
385. J. Young & Company: Toronto	no

<u>Quebec</u>

386. Amherst Auto Parts: Montreal	no
387. Armor Automotive Products Company: Montreal	no
388. Asbestos Auto Supply Enrg.: Asbestos	no
389. Atlas Auto Accessories Company: Montreal	no

390. Auto Electric Associates Incorporated: Sherbrooke	yes
391. Auto Electric Limited: Montreal	yes
392. Auto Electric Service Corporation Motor Drome: Montreal	no
393. Automotive Accessories Incorporated: Montreal	no
394. Automotive General Supplies: Montreal	no
395. Automotive Products Registered: Verdun	yes
396. Automotive Specialty Company Limited: Montreal	no
397. Battery & Electric Service Company: Montreal	yes
398. Bearings & Ignition Service Company: Montreal	no
399. J. C. Bedard Incorporated: Quebec City	no
400. Ant. Bernier Incorporated: Quebec City	no
401. Bill's Automotive Accessories: Montreal	no
402. Boilard Auto Parts: St. George de Beauce	no
403. Bourg Joli Auto Parts: St. Hyacinthe	no
404. Brake & Motor Supplies Limited: Montreal	no
405. Cadel Limited: Montreal	no
406. Louis Caouette Registered: Riviere-du-loup	no
407. Central Automotive Supply Company: Montreal	no
408. Climax Company Limited: Montreal	yes
409. Clutch & Brake Service Limited: Montreal	no
410. Cords Piston Rings Sales: Montreal	no
411. Cresson Freres Limitee: Montreal	no
412. Dawson Auto Parts St. George Limited: St. George	no
413. Dawson Auto Parts Limited: Montreal	no
414. Delisle Auto Accessoires Limitee: Trois-Rivieres	yes
415. P. Demers Incorporated: Montreal	yes
416. Omer De Serres Limitee: Montreal	yes
417. Drummond Automotive Supplies: Drummondville	no
418. Dubreuil & Filiatrault Auto Parts: Rouyn	yes
419. Duvernay Auto Parts Registered: Longueuil	yes
420. E. T. Auto Supply Company: Sherbrooke	no
421. Eastern Auto Parts Limited: Plessisville	no
422. Eis Automotive Corporation: Montreal	no
423. Engine Rebuilders Company: Montreal	no
424. Equipment Tools & Steel Limited: Montreal	yes
425. Federal Auto Parts Company: Montreal	yes
426. Foucher Auto Incorporated: Shawinigan Falls	yes
427. General Auto Parts of St. Hyacinthe Incorporated: St. Hyacinthe	yes
428. General Automobile Equipment Limited: Montreal	yes
429. General Bearing Limited: Montreal	no
430. General Bearing Service Limited: Montreal	no
431. General Equipment Limited: Quebec City	no
432. W. H. Golding: Montreal	yes
433. Gould Auto Supplies: Montreal	yes
434. Ludger Gravel & Fils Limitee: Montreal	yes
435. J. C. Hammond and Company: Montreal	yes
436. Hodge Auto Parts (Montreal) Limited: Montreal	no

437. Hodge Auto Parts: Sherbrooke	no
438. Hygrade Auto Parts: Montreal	no
439. Joliette Automotive Supply: Joliette	no
440. L. F. Automotive Incorporated: Montreal	no
441. Labelle & Fils Auto Parts: Montreal	no
442. Labrador Supply & Equipment Company: Montreal	no
443. Lachute Auto Parts Registered: Lachute	no
444. Paul Ladouceur Automotive Company: Montreal	no
445. Lafrance Auto Parts: Hull	no
446. Lariviere & Freres Limitee: Rouyn	no
447. Laurentien Auto Parts Limited: Chicoutimi	yes
448. Jerome Le Blanc Enrg.: Montreal	no
449. Lefebvre Auto Parts Limited: Trois-Rivieres	no
450. Leonard Auto Supply: Montreal	no
451. Lessmick Automotive Limited: Montreal	no
452. Messrs. Letourneau, Quinlan, Forest, Deschenes & Emery: Montreal	no
453. P. L. Lortie Limitee: Quebec City	yes
454. Lynn MacLeod Engineering Supplies Limited: Thetford Mines	yes
455. M. & M. Auto Parts Incorporated: Amos	no
456. Menard et Frere Incorporated: Granby	no
457. Mercier Motor Supply Limited: Montreal	yes
458. John Millen & Son Limited: Montreal	yes
459. Montreal Auto Parts Incorporated: Montreal	no
460. Mount Royal Auto Electric Limited: Mount Royal	no
461. N. H. Automotive Corporation: Mount Royal	no
462. Nadon Auto Parts: Montreal	no
463. Wilfrid Ouellet & Fils Limitee: Rimouski	no
464. Plourde Auto Parts: Victoriaville	no
465. Albert Pouliot Enrg: Levis	no
466. Pronovost Auto Accessoires: Dolbeau	no
467. Quality Auto Supplies Limited: Montreal	yes
468. Richelieu Valley Export & Import: St. Johns	no
469. Richler Automotive Corporation: Montreal	yes
470. Marcel Rochette Limitee: Quebec City	no
471. De La Roudi Limited: Shawville	no
472. Hugh S. Rose and Company Limited: Sherbrooke	no
473. Jos. Rousseau Incorporated: Quebec City	yes
474. Maurice Rousseau & Company Limited: Quebec City	yes
475. St. Hyacinthe Auto Parts Limited: St. Hyacinthe	yes
476. St. Jean Auto Parts Enrg.: St. Jean	yes
477. St. Jerome Auto Electric Limitee: St. Jerome	no
478. St. Lawrence Accessories & Automotive Parts Limited: Montreal	yes
479. H. M. Shulman & Associate: Montreal	no
480. Simplex Piston Rings Limited: Montreal	no
481. Southward Tire & Supply Limited: Montreal	yes

482.	Standard Auto Supply: Montreal	no
483.	Ovide Taillefer Incorporated: Montreal	no
484.	Rolland Theoret Incorporated: Montreal	yes
485.	Thompson Tire & Supply Company Limited: Sherbrooke	yes
486.	Tremblay & Tremblay Accessoires: Riviere-du-Loup	yes
487.	Trois-Rivieres Auto Electric Limitee: Trois-Rivieres	yes
488.	United Auto Parts Limited: Montreal	yes
489.	Universal Auto Parts: Montreal	no
490.	Verrette Auto Accessories Limited: Shawinigan Falls	no
491.	Bertrand Veilleux: St. George E.	yes
492.	Vokes (Canada) Limited: Montreal	yes

Atlantic Provinces

493.	Acadia Motor Equipment Limited: Halifax, N.S.	no
494.	Andrews Oil Limited: Cornerbrooke, Nfld.	no
495.	Angus Equipment Company: Halifax, N.S.	yes
496.	Aska Sales: St. John's, Nfld.	yes
497.	Auto Machinery & General Supply Company Limited: Fredericton, N.B.	yes
498.	Auto Parts Company Limited: Halifax, N.S.	no
499.	A. P. M. Limited: Moncton, N.B.	no
500.	Batt and MacRae Limited: Charlottetown, P.E.I.	yes
501.	Battery & Electric Service Limited: St. John, N.B.	no
502.	Bell Equipment Company Limited: Edmundston, N.B.	yes
503.	Bowring Brothers Limited: St. John's, Nfld.	yes
504.	Bud's Accessories: Montague, P.E.I.	no
505.	Robt. K. Buzzell Limited: Moncton, N.B.	yes
506.	Cape Breton Battery & Vulcanizing Company Limited: Sydney, N.S.	yes
507.	Central Equipment Limited: St. John, N.B.	no
508.	Commercial Equipment Limited: St. John, N.B.	no
509.	Emerson & Fisher Limited: St. John, N.B.	yes
510.	General Distributors Limited: Truro, N.S.	no
511.	Glace Bay Auto Supply: Glace Bay, N.S.	no
512.	Goodspeed's Limited: Truro, N.S.	no
513.	Halifax Ignition Limited: Halifax, N.S.	no
514.	Russell W. Hawkins: Sydney, N.S.	no
515.	Hamilton's Auto Supply Limited: Yarmouth, N.S.	yes
516.	Harbour Accessories & Supplies Limited: Halifax, N.S.	no
517.	A. E. Hickman Company Limited: St. John's, Nfld.	yes
518.	J. W. McGrath: St. John's, Nfld.	yes
519.	Maritime Accessories Limited: Halifax, N.S.	yes

520.	Maritime Auto Supply Company Limited: Halifax, N.S.	no
521.	Maritime Leathers Limited: Sydney, N.S.	no
522.	Maritime Motor Supply Company Limited: Charlottetown, P.E.I.	no
523.	Modern Sales and Supply Company Limited: Halifax, N.S.	no
524.	Moncton Auto Parts: Moncton, N.B.	yes
525.	Newfoundland Armature Works Limited: St. John's, Nfld.	no
526.	Provincial Motor Sales Limited: Fredericton, N.B.	yes
527.	Rafuse Equipment & Supply Company Limited: Bridgewater, N.S.	yes
528.	Clyde Robar: Bridgewater, N.S.	no
529.	Robinson Supplies Limited: Kentville, N.S.	yes
530.	Russell Auto Parts: Bridgewater, N.S.	no
531.	Scotia Equipment Limited: Halifax, N.S.	yes
532.	Sumner Tire & Automotive Limited: Moncton, N.B.	no
533.	Sydney Auto Parts: Sydney, N.S.	no
534.	Tanton's Auto Accessories Company: Charlottetown, P.E.I.	no
535.	Wyatt's Parts and Service Limited: St. John's, Nfld.	yes

Note: Atlas Supply Company of Canada Limited, Toronto, was not sent a copy of this questionnaire because some of the information concerning the Company was already on hand. Supplementary information was sought by way of a special questionnaire.

APPENDIX V

Analysis of Exclusive Dealing, Full-Line Forcing, Directed Buying, and Other Provisions in Contracts between Principal Distributors and Service Station Dealers

This Appendix describes the sections of representative contracts between principal distributors and their service station dealers which are relevant to the trade practices under review. The contracts referred to are those submitted by the principal distributors in their returns to the 1958 questionnaire. It is emphasized that this analysis covers only the apparent legal obligations arising from the representative contracts. The analysis does not deal with the enforcement or non-enforcement of such provisions or the actual policies and practices of the principal distributors in regard to such obligations. These have been dealt with in the main body of the Statement, Chapter V, Part 2, Section A. This Appendix discusses each principal distributor in alphabetical order. The full texts of all contracts submitted by the principal distributors are filed with their returns to the questionnaires.

Anglo American

Anglo American is engaged directly, and through subsidiaries, in the following phases of the petroleum industry: exploration, production, refining and marketing. It distributes automotive petroleum products and T.B.A. products to retail outlets.

(1) Leased Outlets

In respect of its lessee operated outlets, the Company uses a Service Station lease which requires the dealer to

> ". . .use the said land and the said equipment for the purpose of carrying on therefrom and therewith the business of a filling and service station and such other business as the Company may from time to time in writing permit and for the sale of the company's products or those other products dealt in and/or distributed or sold by the company and for no other purpose."
>
> (Clause 6, Anglo American, Form H.O. 102 - IM-6-56-A.W.)

This form contains further provisions that the dealer will

> ". . . not erect any signs or billboards or advertising signs on the said land without the consent in writing of the company . . . but that the company shall have the right to erect billboards or advertising signs . . . on the said land without any deduction of the operator's rent therefore ."
>
> (Clause 12, Anglo American, Form H.O. 102 - IM-6-56-A.W.)

and will

". . . continuously and exclusively buy, pay for and receive from the company and from no other, all his requirements of gasoline, kerosine, distillate, motor and lubricating oils and greases and petroleum products generally and all other products, and/or accessories other than or in addition to petroleum products, manufactured,sold, dealt in and/or distributed by the company. . ."

(Clause 18, Anglo American, Form H.O. 102 - IM-6-56-A.W.)

The following clauses deal with cancellation of the lease:

"That . . . the operator . . . should have the right to cancel this lease upon forty-eight (48) hours' notice and that the company should have the same privileges: therefore . . . the company and the operator mutually covenant and agree . . . that . . . the said term [of the lease] or any renewal thereof may be terminated at any time either during the currency of the said term . . . by either party hereto giving the other twenty-four (24) hours' written notice of termination . . . "

(Clause 21, Anglo American, Form H.O. 102 - IM-6-56-A.W.)

" . . . in case the operator makes default in any of the payments called for by this agreement, or at any time fails, refuses or neglects to perform any of the covenants, provisos or conditions herein contained which on the part of the operator ought to be performed, . . . then and in any and every such case the company . . . may forthwith enter into and take possession of the said land and the said equipment . . . "

(Clause 23, Anglo American, Form H.O. 102 - IM-6-56-A.W.)

(2) Mortgaged Outlets

(a) Mortgage

With respect to its mortgaged outlets, the Company's return did not include any mortgage form.

(b) Other Contracts or Agreements

An agreement referred to in the Company's return as a Tie-up Agreement, is apparently used in dealing with mortgaged outlets,

nce this agreement is made in consideration of an advance of oney and since the borrower has to execute a mortgage on the rage premises in favour of the Company. In this Tie-up Agreement, e borrower agrees to

> ". . . continuously and exclusively purchase, . . . from the Company and from no other, all gasolines, lubricating oils, greases and petroleum products generally, . . . and from no other, any products (including but not limited to tires, tubes, tire accessories, batteries and auto accessories) . . . saleable on the garage premises and which may . . . be offered for sale, distributed, sponsored or otherwise dealt in by the Company, and . . . shall not purchase, receive, sell, offer to sell, deal in, handle, keep in stock or dispose of, . . . on . . . the garage premises or on . . . other lands and premises within a radius of two (2) miles . . . any petroleum products or other merchandise and products . . . except such as shall have been manufactured or distributed by or purchased from the Company . . ."
>
> (Clause 1, Anglo American, Exhibit C, 1958 Return of Information)

The Tie-up Agreement provides also that in the event of epayment of the mortgage the borrower will be still bound to the clusive dealing provisions herein mentioned for a period of ten ears.

) <u>Independent, Brand Outlets</u>

In respect of its independent outlets, the Company makes e of a Dealer Agreement. In this agreement the dealer is equired to

> ". . . continuously and to exclusively buy, pay for and receive from the company and from no other, all his requirements of gasolene, kerosene, distillate, motor and lubricating oils and greases and petroleum products generally and all other products, and/or accessories other than and/or in addition to petroleum products, manufactured, sold, dealt in and/or distributed by the company . . ."
>
> (Clause 1, Anglo American, Form H.O. 99A-500-4-56-A.W.)

) <u>Sundry Agreements and Contracts</u>

The Conditional Sale Equipment Contract form (Anglo merican, Form H.O. 68-IM-7-56-A.W.) and the Equipment Lease

form, (Anglo American, Form H. O. 150-IM-7-56-A. W.) both contain provisions by which the buyer or the borrower is not to use such equipment except to dispense products purchased from the Company.(1) (Clauses 7 and 2 respectively of the above agreements)

Anglo-Canadian

Anglo-Canadian is engaged in the distribution of automotive petroleum products and anti-freeze.

(1) Leased Outlets

This Company does not have any lessee operated outlets.

(2) Mortgaged Outlets

It would appear that the Company does not use a standard form of mortgage in dealing with its mortgaged outlets. However, according to a letter dated September 25, 1953, which was received from G. A. Valens, Assistant Secretary of the Company:

> "There are 12 R.P.A. [presumably means 'Real Property Act'] and two chattel mortgages in effect, all in Manitoba. None of these make any direct reference to TBA products. However, three only of the R.P.A. mortgages refer to all goods handled or offered for sale by the Company. . . ."

Mr. Valens enclosed with the above mentioned letter the particular provision referred to below. By this provision the mortgagor agrees with the mortgagee to

> ". . . purchase from the mortgagee all goods, handled or offered for sale by the mortgagee, whether the same are manufactured, made, handled, or dealt in either by retail, wholesale, or in a jobbing manner by the mortgagee and that . . . [he] will not at any time purchase or agree to purchase any of such things or articles either for immediate or future delivery from any other person, firm, or corporation, . . ."

(3) Independent, Brand Outlets

With its independent outlets, the Company uses a form of Dealer Agreement which requires the dealer to

---

(1) Exclusive dealing provisions similar to those set out above were employed where applicable by Anglo American's predecessors- Gas and Oil Products Limited, Calgary, Alberta, and Patron Oil Company Limited, Moosejaw, Saskatchewan, in dealing with their affiliated retail outlets.

". . . deal in and sell only gasolene, refined oil, lubricating oils and greases and petroleum products generally manufactured, handled, sold or distributed by the Company, . . ."

(Clause 1, Anglo-Canadian, Form LP 100-2500-4-38-Dealer Agreement)

4) Sundry Agreements and Contracts

(a) Equipment Loan

The Company also employs a form of Equipment Loan Agreement when equipment is loaned to a dealer. In this agreement the dealer is required to use the equipment loaned solely for the purpose of storing the Company's products. (Paragraph 3, Anglo-Canadian, A-C 181-1m-5-53-SP)

(b) Conditional Sale

When equipment is sold to a dealer on instalments, the Company makes use of an Order Contract (a conditional sale of equipment). The purchaser agrees that

". . . . until all monies payable . . . are fully paid . . . [he] will use the . . . equipment exclusively for the vending of the Company's products and will deal only in gasoline, refined oil, lubricating oils and greases and petroleum products generally purchased from the Company, . . ."

(Clause 3, Anglo-Canadian, AC, 65-250-8-50-SP)

and by the same clause the dealer agrees not to handle within one half mile of his station, similar products of competitors of the Company. The dealer further agrees to

". . . . purchase exclusively from the Company all gasoline, refined oil, lubricating oils and greases and petroleum products generally necessary for the carrying on of . . . [his] business."

(Clause 4, Anglo-Canadian, AC, 65-250-8-50-SP)

B.A.

B.A. is a fully integrated oil company engaged directly, as well as through subsidiaries and related companies, in all phases of the petroleum industry. It distributes automotive petroleum products, anti-freeze compounds and T.B.A. products to retail outlets.

(1) Leased Outlets

(a) Lease

In respect of its lessee operated outlets, the Company employs a form of lease which does not contain any exclusive dealing provisions. However, as noted below, the lessee agrees to sign and abide by the terms of a retail dealer sales agreement as one of the terms of the lease. The following clause in the lease dealing with advertising on the demised premises may possess some restrictive implications:

> "B. A. may erect and maintain such advertising signs on the demised premises as it deems advisable and the Tenant will not erect or permit to be erected or to remain on the said premises any other signs or advertising except with the written consent of B. A."

(Clause 10, B. A., Form SD. 45 (1-57))

The lease contains the following clauses concerning termination of the contract:

> "IT IS EXPRESSLY UNDERSTOOD AND AGREED that B. A. shall have the right to terminate this lease or any renewal thereof at any time and to enter into possession upon giving the Tenant thirty (30) days notice in writing . . . "

(Clause 6, B. A., Form SD. 45 (1-57))

> "It is distinctly understood and agreed that, upon breach or non-performance of any covenant, agreement, proviso or condition of the lease, B. A. may, at its option, terminate the lease forthwith . . . "

(Clause 8, B. A., Form SD. 45 (1-57))

(b) Other Contracts or Agreements

(i) Retail Dealer Agreement

The lessee agrees by virtue of the lease contract (Clause 7 (f)

B. A. Form S. D. 45 (1-57)) to execute the Company's retail lealer sales agreement entitled Equipment Loan and Retail Dealer Sales Agreement. A breach of any term of the retail dealer sales agreement constitutes a breach of the terms of the lease. The agreement contains the following provision:

> "The Dealer covenants and agrees that during the term of this agreement he will, continuously and exclusively, by himself or his agents or tenants, purchase, sell, advertise, trade and deal in the particular kinds, grades and brands of products marketed by the Company to the Retail Dealer Trade generally, at the time and point of delivery and . . . no petroleum products other than those of the Company will be used, stored, sold or otherwise dealt in, on or about . . . premises . . . "

(Clause 4, B.A., Form S.D. 139 (1-57))

Further the dealer agrees to provide and maintain equipment and facilities for storage and sale of petroleum products and to use the said

> ". . . equipment and facilities during the term of this agreement . . . exclusively for the handling of products purchased from . . . [B.A.]."

(Clause 6, B.A., Form S.D. 139 (1-57))

Prior to 1957 the Company used a form entitled Retail Dealer Sales Agreement. This form is no longer used, but it contained the same restrictions as the one mentioned above.

(ii) <u>Contract for B.A., T.B.A. Products</u>

With its lessee operated outlets, the Company also employs a Contract for B.A., T.B.A. products. By this contract the lessee agrees to

> " . . . purchase from [B.A.] . . . [his] total requirements of B-A Fisk tires and tubes, B-A batteries and all automobile accessories sold and/or distributed by The British American Oil Company Limited . . . "

(Clause 1, B.A., T.B.A. 2 (10-57))

Any advertising of B.A., T.B.A. products is controlled by the Company. (Clause 6, B.A., T.B.A. 2 (10-57))

The Company pointed out in its return that almost without exception all its lessee dealers sign the three contracts above

mentioned, which are construed as requiring them to buy the Company's petroleum and T.B.A. products "to the exclusion of competitive brands." (B.A. Return of Information, para. 12 (b) p. 6

(2) Mortgaged Outlets

(a) Mortgage and Agreement for Loan

In respect of its mortgaged outlets, the Agreement for Loan which is executed by the dealer in conjunction with the mortgage requires the dealer to

> " . . . continuously and exclusively purchase . . . from the Company, and from no other, all gasolines, lubricating oils, greases and petroleum products generally and anti-freeze compounds which shall be used, handled, sold or kept for sale on the garage premises, and the [dealer] will purchase . . . directly from the Company, and from no other, any product (including but not limited to tires, tubes, tire accessories, batteries and auto accessories) . . . which are saleable on the garage premises and which may, from time to time, be offered for sale . . . by the Company, . . . "

(Clause 1, B.A., S.D. 68 (1-55))

The mortgagor can prepay at any time the amount due, except an amount of $100 which cannot be paid until a certain specified date.

(b) Other Contracts or Agreements

In its return the Company pointed out that almost all its mortgaged outlet dealers sign the Equipment Loan and Retail Dealer Sales Agreement as well as its contract for B.A., T.B.A. products (see above under lessee operated outlets).

(3) Independent, Brand Outlets

With its independent outlets the Company uses the Equipment Loan and Retail Dealer Sales Agreement, and its Contract for B.A., T.B.A. products. These contracts contain exclusive dealing provisions as shown above under lessee operated outlets.

(4) Sundry Agreements and Contracts

(a) Conditional Sale of Equipment Contract

The Company's Conditional Sale of Equipment Contract contains the following exclusive dealing provisions:

"Until all monies payable hereunder are fully paid, the Purchaser will use the said equipment exclusively for the vending of the Company's products and will deal in gasoline, refined oil, lubricating oils and greases and petroleum products generally purchased from the Company exclusively, and . . . will not . . . within one mile of the premises . . . sell, deal in or handle any of such products purchased from any other person, firm or corporation."

(Clause 4, B.A., S.D. 20 (3-57))

he buyer cannot under the terms of the contract pay the full amount efore a certain specified time.

(b) Agreement for Sale of Equipment

The Company's Agreement for Sale of Equipment (see 1953 eturn of Information) contains similar provisions as those just nentioned. (Clause 3, B.A., S.D. 21 (8-50))

(c) Loan Agreement - Conditional Sales Agreement - Plastic Sign Lease

In its Loan Agreement (Equipment) (see 1953 Return of nformation) and in its Conditional Sales Agreement Farm Storage Equipment the Company stipulates the equipment must be used nly with regard to B.A. products. (Clause 4, B.A., S.D. 70 10-51) and Clause (b), B.A., S.D. 129 (9-54) respectively). he same applies to the Company's Plastic Sign Lease. (Clause (1) f lessee covenant, B.A., S.D. 170 (2-58))

(d) Dealer Improvement Credit Plan

B.A. also provides for its dealers a Dealer Improvement redit Plan, by which the dealer in consideration for such credit grees to execute an Agreement

" . . . extending or renewing . . . [his] present exclusive Retail Dealer Sales Agreement for a further period of --- years."

(Paragraph 1, p. 2., B.A., S.D. 159)

B.P.

B.P. is engaged directly and through subsidiaries in the ollowing phases of the petroleum industry: exploration, production, ransportation, refining and marketing. It distributes gasoline, diesel oil, lubricants, greases, gear oil and anti-freeze to retail petroleum outlets.

(1) Leased Outlets

In respect of its lessee operated outlets the Company uses a Service Station Lease which requires the dealer not to

> " . . . conduct . . . [his] business in a manner which is prejudicial, in the Lessor's opinion, to the good name and interest of the Lessor, or of other dealers in the Lessor's products."
>
> (Clause 3, B.P., Form B.P. 302 (Rev.))

The dealer further agrees

> " . . . that in respect of petroleum and anti-freeze products he will at all times during the term of this lease purchase from the Lessor exclusively and keep and maintain in stock for sale only those products manufactured, sold or dealt in by the Lessor, and that he will at all times energetically promote the sale of same, to the best of his ability."
>
> (Clause 4, B.P., Form B.P. 302 (Rev.))

The lease also stipulates that the dealer shall not

> ". . . install or place any signs or placards upon the leased premises without the prior written consent of the Lesscr. The Lessor shall have the right at any time to enter and remove any signs or placards placed in violation of this provision."
>
> (Clause 17, B.P., Form B.P. 302 (Rev.))

The provisions of this clause are reinforced by similar provisions in clause 24 of B.P. Form 302 (Rev.). Similar provisions to the above three are contained in the Sub-lease employed by the Company. (Clauses 5, 4 and 7 respectively of B.P. Form 506/2 (Rev. 2/58)).

Clause 26 of B.P. Form 302 (Rev.) provides for termination of the lease by either party at any time on thirty days written notice.

(2) Mortgaged Outlets

In respect of its mortgaged outlets, the Company employs a mortgage contract. This contract provides that the borrower shall during the currency of the loan

> " . . . purchase exclusively from the . . . [Company] the

Borower's entire requirements of gasoline and other fuels, motor oil and greases, lubricating oils and other petroleum products in the Borrower's business of distributing petroleum products, and to advertise the products of the . . .[Company] and to diligently promote the sale of the . . .[Company] gasoline and other products, . . .[and] shall not purchase, deal in or handle within a radius of [specified] miles from . . .[the station] any gasoline, lubricating oils, lubricating greases or kindred products manufactured, sold or distributed by any other company, . . ."

(Article V, Clause 1, B.P., Form B.P. 328 (Rev.))

also provides, with respect to repayment of this mortgage, that a ertain amount shall not be payable before a specified date.

) Sundry Agreements and Contracts

With outlets whose dispensing or other equipment is owned by e Company, B.P. employs a Sales and Equipment Loan Agreement 'orm B.P. 313 (Rev.)) and an Equipment Loan Agreement (Form P. 301). The first agreement requires the dealer to

". . .purchase exclusively from the Company, the Dealer's entire requirements of gasoline and other fuels, motor oils and greases, lubricating oils and other petroleum products and anti-freeze in the Dealer's business of distributing petroleum products during the duration of this agreement."

(Clause 1, B.P., Form B.P. 313 (Rev.))

ause 2 of the second agreement is similar to that quoted above ex-ept that the word "exclusively" had been struck out in the copy sub-itted as Exhibit "G" to the Company's Return of Information. The aler further agrees in the first agreement that he will

". . .advertise the products of the Company and will diligently promote the sale of the Company's gasoline and other products."

(Clause 6, B.P., Form B.P. 313 (Rev.))

nese contracts also provide that

"No similar equipment belonging to other companies or persons shall be installed on the premises during the term of this agreement without the Company's prior consent in writing. No products other than the Company's shall be dispensed through the equipment hereby loaned."

(Clause 13, B.P., Form B.P. 313 (Rev.) and Clause 5, Form B.P. 301)

Canadian Oil

Canadian Oil is a fully integrated oil company which is engage directly, and through subsidiaries and related companies in all phase of the petroleum industry. It distributes a complete line of automotiv petroleum products as well as anti-freeze and batteries to retail petro leum outlets.

(1) Leased Outlets

(a) Lease

With its lessee operated outlets, the Company employs a Service Station Lease which requires the dealer to

> " . . . purchase from the Lessor exclusively and keep and maintain in stock for sale only the petroleum and anti-freeze products manufactured, sold or dealt in by the Lessor, and that he will at all times energetically promote the sale of same, to the best of his ability."
>
> (Clause 3, Canadian Oil # 4253-Form 165)

The Service Station Lease also provides that

> "IN RESPECT OF MERCHANDISE OTHER THAN PETROLEUM AND ANTI-FREEZE PRODUCTS, THE LESSEE AGREES NOT TO PURCHASE, RECEIVE, SELL, OFFER TO SELL, KEEP IN STOCK, STORE OR DISPOSE OF, EITHER DIRECTLY OR INDIRECTLY, DURING THE TERM OF THIS LEASE MERCHANDISE OF ANY KIND WHATSOEVER WITHOUT THE WRITTEN AUTHORITY OF THE LESSOR FIRST HAD AND OBTAINED."
>
> (Para. 2, Clause 3, Canadian Oil # 4253 - Form 165)

The lessee further undertakes not to

> " . . . conduct his business in a manner which is prejudicial, in the Lessor's opinion, to the good name and interest of the Lessor, or of other dealers in the Lessor's products."
>
> (Clause 2, Canadian Oil, # 4253 - Form 165)

The Service Station Lease also stipulates that the lessee

> " . . . will not place or allow to be placed on or about the demised premises any signs or advertising matter of any

nature whatsoever without the written consent of the Lessor first had and obtained."

(Clause 18, Canadian Oil, # 4253 - Form 165)

connection with termination of the lease:

". . . the Lessor expressly reserves the right to cancel this lease upon giving to the Lessee at any time one day's notice in writing of its intention . . ."

(Clause 20, Canadian Oil #4253 - Form 165)

"The Lessee may cancel this lease upon giving to the Lessor notice in writing of his intention so to do at least one month before . . . [a specified date] or at least one month before the expiry of any subsequent year for which the said lease is extended . . ."

(Clause 21, Canadian Oil # 4253 - Form 165)

(b) Other Contracts or Agreements

In dealing with its lessee operated outlets the Company also es a Sale Agreement and an Equipment Loan Agreement. In the Sale greement the dealer undertakes to

" . . . purchase exclusively from the Company . . . [his] entire requirements of gasoline and other fuels, motor oils and greases, lubricating oils and other petroleum products, denatured alcohol and other anti-freeze products . . ."

(Clause 1, Canadian Oil, # 4304 - Form 404 (Dealer))

d to

" . . . advertise, purchase, trade and deal in the products of the Company exclusively; . . ."

(Clause 6 (a), Canadian Oil, # 4304 - Form 404 (Dealer))

In the Equipment Loan Agreement, the dealer, in addition to dertaking to purchase his entire requirements of petroleum products d anti-freeze from the Company (Clause 3, Canadian Oil, # 4303 - orm 401 (Dealer)) agrees that

"No products other than those purchased from the Company shall be marketed through the . . . equipment and no other

equipment for dispensing or vending gasoline or other fuels belonging to the dealer or any person, firm or corporation other than the Company shall be installed on . . . [the dealer's] premises during the term of this agreement . . . without the consent in writing of the Company first had and obtained."

(Clause 4, Canadian Oil, # 4303 - Form 401 (Dealer))

(2) Mortgaged Outlets

(a) Mortgage

The mortgage form used by the Company does not contain any exclusive dealing provisions.

(b) Other Contracts or Agreements

With its mortgaged outlets, the Company employs a Dealer Agreement, which is executed by the dealer in conjunction with the mortgage and contains a covenant on the part of the dealer that, during the term of the agreement, he will

" . . . keep and maintain in stock on the said premises for sale to the public only such gasoline, motor oils, kerosene, anti-freeze, lubricating and other oils and greases and other like products as shall have been manufactured by or purchased from the Company and that he will at all times energetically promote the sale of the Company's products to the best of his ability and that during the said term he will not purchase, receive, sell, offer to sell, keep in stock, store or dispose of, either directly or indirectly, or permit to be purchased, received, sold, stored or disposed of in, on, from or about the said premises, . . . any gasoline, motor oils, kerosene, anti-freeze, lubricating and other oils or greases or other like products except such as shall have been manufactured by or purchased from the Company, the intention being that as to all such products the dealer shall purchase the same from the Company exclusively and from no other person or persons, firm or corporation whatsoever, . . . It is understood and agreed however that nothing herein contained shall be taken to prevent the dealer from carrying in stock and selling such . . . tires, batteries radios and other accessories . . . as he may deem advisable . . . provided always that if . . . the Company shall decide to handle or deal in any special or regular make of . . . [such products] the dealer shall . . . dispose of any such products . . . other than those of such . . . make, and thereafter the dealer shall only keep in stock and sell . . . the same make of . . . [such products] as the Company shall handle or deal in at its service stations in the province of Ontario."

(Clause 1, Canadian Oil, Item F. Schedule 6 in Return of Informati

ı identical clause appears in the Agreement Sale of Land, 'aragraph 1, p. 3, Canadian Oil, Form # 150-153)

) Independent, Brand Outlets

With its independent outlets the Company uses the same forms Sale Agreement and Equipment Loan Agreement as the one used in ·aling with its lessee dealers. These two forms have been analysed ·ove.

) Sundry Agreements and Contracts

The Company also makes use of a form of Statutory Lease. :cording to the Company's 1953 return this form is used frequently . dealing with its mortgaged and independent outlets. The return does ıt specify the exact circumstances in which such leases are used. is possible that they may resemble the cross-leasing arrangements ıich are used by certain of the other Companies. In these cross-ases the dealer leases his service station premises to the Company ometimes accompanying a mortgage to the Company) and the ɔmpany in turn re-leases to the dealer. In any event, the form of atutory Lease which was attached to the return, contains similar :clusive dealing provisions as those outlined with respect to the ealer Agreement used by the Company in conjunction with the ortgage.

Canadian Petrofina

Canadian Petrofina is engaged directly and through ıbsidiaries in the production, transportation, refining and marketing automotive petroleum products. It distributes petroleum products ıd anti-freeze to retail outlets.

) Leased Outlets

With its lessee operated outlets, the Company uses a lease hich requires that the

> " . . . Lessee will . . . diligently use the leased premises solely for the purpose of carrying on the business of the retail sale of petroleum products and the servicing of motor vehicles and shall not carry on any other business thereon or therefrom without the written consent of the Lessor."

(Paragraph 1, p. 3, Canadian Petrofina, Form D-35 (Ontario) Lease-Lessee Dealer 6/54)

his clause could apparently prevent the lessee from selling any .B.A. products without the consent of the lessor. The following ause may dissuade the lessee from undertaking to sell products her than those purchased from the lessor:

"The Lessee will not install or place upon the demised premises any signs or placards without the prior written consent of the Lessor. . . ."

(Paragraph 4, p. 3, Canadian Petrofina, Form D-35 (Ontario) 6/54)

The following clauses refer to termination of the lease:

"Notwithstanding the said term, the Lessor and the Lessee mutually covenant and agree that the said lease . . . may be terminated at any time during the currency of this lease . . . by either party upon 30 days written notice given to the other, . . ."

(Paragraph 1, p. 2, Canadian Petrofina, Form D-35 (Ontario) 6/54)

"That in the event of the rent . . . being in arrears or unpaid for ten (10) days next after it becomes due, whether or not such rent shall have been demanded or should the Lessee contravene any of the conditions of this Lease . . . then in all or any such events the Lessor may terminate this Lease upon giving the Lessee 5 days notice of such termination in writing, . . ."

(Paragraph 10, p. 3, Canadian Petrofina, Form D-35 (Ontario) 6/54)

(2) Mortgaged Outlets

With its mortgaged outlets, the Company uses two mortgage forms, one for Quebec and the other for Ontario. The two forms contain the following provision, which requires the dealer to undertake that he will

" . . . purchase solely and exclusively from . . . [Company] his entire requirements of gasolines, oils, greases and anti-freezes, and will purchase exclusively such tires, tubes and batteries as are designated by the . . . [Company] and the . . . [dealer] will not . . . purchase any gasolines, oils, greases and anti-freezes, tires, tubes and batteries for retail sales, . . . from any person, firm, corporation or any source whatsoever, other than . . . [Company] or persons designated by . . . [Company] save with . . . [Company's] consent first obtained in writing. . . ."

(Clause A, p. 7, Canadian Petrofina, Quebec Mortgage, Exhibit "D" (iii) 1958 Return of Information)

he relevant clause in the Ontario mortgage (Exhibit "D" (ii) 1958 eturn of Information) appears at Paragraph A, page 5. The mortage contracts also provide that prepayment of the loan should not be ıade before a specified date. They also provide that the property an be used for the conduct of other business than the sale of the Comany's products or those of its designated suppliers so long as such usiness does not conflict with the sale of these products. (Paragraph , p. 6, Exhibit "D" (ii) 1958 Return of Information).

ny advertising on the mortgaged premises is completely under the ompany's control.

3) Independent, Brand Outlets

Although not specified in the Company's return, the Company's ealer Sales Agreement appears to be the form used by the Company ith its independent outlets. By the Dealer Sales Agreement, the ealer agrees to

> " . . . purchase from the . . . [Company] his . . . entire requirements of gasolines, motor oils, greases and automotive lubricants of any kind dealt in by . . . [Company]. "

(Clause 1, Canadian Petrofina, Form D-41 Q Dealer Sale Contract 10/53)

he dealer further agrees to

> " . . . purchase, trade, deal in and advertise . . . [Company's] products exclusively during the term of this contract . . ."

(Clause 7, Canadian Petrofina, Form D-41 Q Dealer Sale Contract 10/53)

4) Sundry Agreements and Contracts

(a) Equipment Loan Contract

By the following clause in the Equipment Loan Contract, the ustomer agrees

> " . . . to purchase exclusively from the COMPANY all his requirements of . . . [items to be specified in the contract]."

(Clause 3, Canadian Petrofina, Form D-42 Ont., Equipment Loan Contract 6/54)

urther to this, the contract provides that

"No similar equipment beonging to other companies shall be installed on the premises during the term of this agreement without the COMPANY'S consent first obtained in writing. No products other than the COMPANY'S shall be dispensed through the equipment loaned . . ."

(Clause 4, Canadian Petrofina, Form D-42 Ont., Equipment Loan Contract 6/54)

(b) Cross-Lease

The Company also uses in certain cases a Cross-Lease form. This contract is very similar to a mortgage. The owner, in consider ation of an advance of money by the Company leases its premises to the Company. By the same contract the Company sublets the premises back to the owner.

The owner agrees to

". . . operate on the said premises facilities for the retail sa of gasoline and petroleum products as well as tires, batteries and accessories, and . . . sell from the said premises Petrofina's gasolines, oils and greases and no other, and . . . purchase and sell in reasonable quantities anti-freeze, tires, tubes, batteries and accessories, the manufacturer of which is approved by Petrofina."

(Clause 1, p. 3, Canadian Petrofina, Lease - Exhibit "D" (vi) 1958 Return of Information)

Champlain

Champlain is engaged in the wholesale marketing of petroleum and related products. It distributes a complete line of automotive petroleum products and T.B.A. products to retail petroleum outlets.

(1) Leased Outlets

(a) Lease

The form of lease employed by the Company to cover its lessee operated outlets does not contain exclusive dealing provisions.

(b) Other Contracts or Agreements

In the Dealer's Agreement employed by the Company as a supplement to its leases, the dealer agrees

" . . . to purchase from the Company his entire requirements of such Trade Mark Gasolines, Lubricating Oils, Greases, and other petroleum products of such Trade Mark brands as may from time to time be offered for sale by the Company to the Dealer trade in general; . . . and not to display, sell or distribute on or about the . . . [service station] premises any other petroleum products of any kind or description whatsoever without the consent of the Company in writing, which consent the Company may in its sole discretion refuse to give."

(Clause 1, Champlain, Exhibit #2, 1953 Return of Information)

(2) Mortgaged Outlets

In respect to its mortgaged outlets, the form of mortgage agreement or hypothec employed by the Company requires the dealer to

" . . . deal in and handle exclusively on the said [mortgaged] premises the petroleum products of the [Company] and . . . and to sign and observe the usual forms of agreements and contracts of . . . [the Company] used in connection with its dealer trade, . . ."

(Clause (a) p. 8, Champlain, Exhibit #5, 1953 Return of Information)

pparently "usual forms of agreements" refers to the Company's Reail Dealer's Agreement used by the Company in dealing with its inlependent outlets. In this agreement the dealer agrees

" . . . to purchase from the Company his entire requirements of such Trade mark brands of petroleum products as may from time to time be offered for sale by the Company to the dealer trade; . . ."

(Clause 2, Champlain, F 173-IM-12-48)

There is a provision that the mortgage cannot be prepaid except with the Company's consent.

(3) Independent, Brand Outlets

(a) Retail Dealer Agreement

With independent outlets, the Company makes use of a Retail Dealer's Agreement, which contains an exclusive dealing provision relating only to the Company's petroleum products.

(See Section (2) above). There are no restrictive provisions covering the other automotive products distributed by the Company.

(b) Other Contracts or Agreements

In the Agreement Equipment on Loan employed when equipment is loaned by the Company, the dealer is required to use the equipment

> ". . . for the sole and exclusive purposes of storing and/or dispensing the regular trade-marked brands of petroleum products purchased by him from the Company, . . . "
>
> (Clause 3, Champlain, Exhibit # 4, 1953 Return of Information)

(4) Sundry Agreements and Contracts

The Company generally uses with its retail dealers an agreement with respect to motor oils and greases. This agreement, in translation from the French original, provides that the dealer shall

> " . . . purchase exclusively from the Company. . . all his requirements of lubricating oils and greases. . ."
>
> (Clause 1, Champlain, Exhibit 1, 1958 Return of Information)

Cities Service

Cities Service is engaged primarily in the wholesale marketing of petroleum and related products. It distributes petroleum products, anti-freeze, tires, batteries, and other accessories to retail petroleum outlets.

(1) Leased Outlets

In respect of its lessee operated outlets, the Company, prior to 1949, used a lease form which contained exclusive dealing provisions relating to petroleum and other products dealt in by the Company. In 1949 that form was revised and exclusive dealing provisions were eliminated. A further revision occured at the end of 1958. The new form employed by the Company does not contain any exclusive dealing provisions. Moreover, it stipulates the lessee's business is free of supervision or control by the Company. It also stipulates that the lessee

> ". . . shall exhibit on the demised premises signs of sufficient preminence and wording so as to advise the public that the business there conducted is owned, operated and main-

tained solely by the lessee, and shall not permit on the premises any sign . . . or advertising device indicating that Lessor is the owner or operator of the business to be conducted upon the demised premises."

(Clause 9, Cities Service, C.S.-501-IM-I-59-A.P.L.)

he lessor may terminate a lease at any time with or without otice in writing to the lessee for default by the lessee of any proisions of the lease.(Clauses12 and 14, Cities Service, C.S. -01-IM-I-59-A.P.L.)

:) Mortgaged Outlets

With respect to its mortgaged outlets the Company follows vo different courses.

(a) Mortgage and Agreement

In some instances the Company uses a Dealer Agreement orm in conjunction with a mortgage form. This Mortgage form hile not containing any exclusive dealing provisions, provides at the mortgage shall not be payable in full before a specified date. owever, the agreement executed with the mortgage provides that e mortgagor shall

" . . . purchase from Cities, exclusively, all the Dealer's requirements for use or re-sale on the Service Station Premises of all gasoline, kerosene, motor oils, greases, soaps and other petroleum products and anti-freeze and tires and batteries; . . ."

(Clause 2, (b) of Agreement in name of Patrick Visneskie, Cities Service, 1959 Supplementary Return of Information)

y this agreement, the mortgagor binds himself to purchase from ities Service a certain specified minimum quantity of gasoline uring a stipulated number of years.

he mortgagor further agrees not to

". . . sell any other gasoline, kerosene, motor oils, greases, soaps or other' petroleum products or anti-freeze or tires and batteries, save such as are manufactured or handled by Cities."

(Clause 2, (d) of Agreement in name of Patrick Visneskie, Cities Service, 1959 Supplementary Return of Information)

He also agrees to

". . . use . . . [his] best endeavours to promote the sale of Cities' products on the Service Station Premises."

(Clause 2 (e) of same Agreement)

(b) Lease-Mortgage-Dealer Agreement

In other instances the Company uses a system by which a dealer who wants to borrow money from a bank will lease his premises to the Company, and the Company will lease premises back to the dealer. Further to this, the Company will obtain money from a bank for the dealer and the dealer will execute a mortgage in favour of the Company together with a Dealer Agreement. In this case the lease from the Company back to the dealer does not contain any exclusive dealing provisions. However, the Mortgage form and the Dealer Agreement form are the same as the Mortgage form and the Agreement form analysed in Section (a) above.

(3) Independent, Brand Outlets

With independent outlets, the Company prior to 1959 used a Dealer Agreement form which contained exclusive dealing provisions related to petroleum and other products dealt in by the Company. A new form has been adopted in 1959. This form does not contain any exclusive dealing provision. However, it provides that the dealer shall purchase from Cities Service a certain specified minimum quantity of gasolines, motor oils, lubricants and greases, during each year of the term of the contract. The dealer may resell

" . . . commodities purchased from Cities under the trade marks and trade names of Cities; but under no condition shall . . . [the dealer] sell any other products under the trade-marks or trade names of Cities or dispose thereof in any way tending to suggest the same are products of Cities."

(Clause 6, Cities Service, C.S.-136-3M-1-59-A.P.L.)

(4) Sundry Agreements and Contracts

(a) Equipment Agreement

The Equipment Agreement form used by the Company does not contain any limitation with respect to the use of the equipment loaned.

(b) Power Prover Lease

The Company leases a power prover machine which is used for testing the exhaust gases of internal combustion motors. The machine is leased by the Company to its outlets of all types. In the Power Prover Lease the dealer is required to

> ". . . purchase from the Lessor [the Company] exclusively all supplies of gasolene, kerosene, oil, soaps, greases, and anti-freeze . . . which shall or may be used or sold on the premises where the said Power Prover is from time to time installed, used or kept, . . ."

(Clause 8, Cities Service, S. T. 458)

Federated Co-operatives

Federated Co-operatives is a wholesale and manufacturing co-operative owned and operated by nearly 500 retail co-operative associations in Saskatchewan, Manitoba and Northwestern Ontario. It is engaged in the production, refining and marketing of petroleum products. The Company is also engaged in the distribution of T.B.A. products.

1) Mortgaged Outlets

(a) Mortgage

With mortgaged outlets, the Company does not seem to impose any limitation on the mortgagor's purchases. However, the Company did not in its return provide any form of Mortgage.

(b) Other Contracts or Agreements

A Service Station Agreement is used by Federated Co-operatives with its mortgaged outlets. This agreement supplements the Mortgage form used by the Company. The agreement is signed by the mortgagor in consideration of Federated Co-operatives having arranged the financing of the outlet, and remains in force until all sums due under such financing arrangement are paid. The agreement has the following exclusive dealing provisions, where the mortgagor agrees

> "To purchase and offer for sale only 'CO-OP' petroleum products and to purchase said products from Federated."

> "To purchase and offer for sale only such tires, batteries and other automotive accessories and merchandise usually sold at service stations and to purchase said automotive accessories and merchandise from Federated, or as agreed to by Federated."

"To restrict the handling of merchandise and automotive accessories to items of general need and utility, and in particular, to refrain from buying and offering for sale novelty gadgets and accessories not normally installed on automobiles at the factory, or pertaining to the automotive trade, except as may be agreed to by Federated."

(Clauses 10, 11 and 12 respectively, Fed. Co-Op, Form 558 (1), (2) and (3))

(2) Sundry Agreements and Contracts

Federated Co-operatives also uses an Agreement form for the purchase of petroleum equipment. This contract does not contain any limitation with regard to the use of the equipment by the buyer.

P. M. Fleming

P. M. Fleming has been engaged primarily in the marketing of petroleum and allied products. Before being acquired by B. P. it was distributing "Shell" branded automotive petroleum products, anti-freeze and T.B.A. products to retail outlets. Since P.M.Fleming has been acquired by B. P. it is probable that all the contracts provided in the Company's 1958 Return of Information have now been superseded by those of B. P. Therefore the documents submitted in the 1958 P. M. Fleming return are not analysed here.

General Oil

General Oil is engaged in the distribution of gasoline, motor oils, greases, fuel oil and anti-freeze to retail petroleum outlets.

(1) Mortgaged Outlets

According to the return of the Company there are no agreements between the Company and its outlets except for its two mortgaged outlets. With respect to these mortgaged outlets the Company employs a Memorandum of Agreement form executed by the mortgagor in conjunction with the mortgage. By this agreement the mortgagor agrees to

". . . purchase exclusively from the Company all gasoline and bulk oils from the Company (exclusive of canned and/or packaged oil) and to carry at all times the Company's petroleum products."

(Top of p. 2, Memorandum of Agreement, General Oil, 1958 Return of Information)

The mortgagor further agrees that

". . . he will not either directly or indirectly stock, sell or deal in gasolines or bulk oils sold by competitive companies."

(Paragraph 2, p. 2, Memorandum of Agreement, General Oil, 1958 Return of Information)

(2) Sundry Agreements or Contracts

With its outlets generally the Company points out in its return that

"The Company Wishes the operator to purchase the oil it handles but it does not insist on the operator to sell the company's oil and encourage the operator to handle a variety of oil so he can service customers and in this way increase his gasoline volume."

(Item 13, p. 3, General Oil, 1958 Return of Information)

Great West

Great West distributes a complete line of automotive petroleum products and T.B.A. products to retail outlets.

(1) Leased Outlets

With lessee operated outlets, the Company employs a Service Station Lease in which the dealer agrees to

". . . continuously and exclusively buy, pay for and receive from the Lessor and from no other person, firm or corporation all of the Lessee's requirements of petroleum products, tires, anti-freeze and other products supplied, dealt in, or sponsored by the Lessor from time to time to the retail dealer trade, . . ."

(Clause 7 (p), Great West, Exhibit 1, 1958 Return of Information)

The lessee further agrees not to

". . . conduct his business in a manner which is prejudicial, in the Lessor's opinion, to the good name and interest of the Lessor or of other dealers or tenants of the Lessor."

(Clause 7 (n), Great West, Exhibit 1, 1958 Return of Information)

It is further agreed between the parties that the Lessor will at all times have complete control over any advertising on the garage premises (Clause 7 (o), Great West, Exhibit 1, 1958 Return of Information)

The lease contains the following provision for termination:

> " . . . the Lessor shall have the right to terminate this lease . . . at any time . . . upon giving the Lessee seven (7) days notice in writing . . ."
>
> (Clause 6, Great West, Exhibit 1, 1958 Return of Information)

(2) Mortgaged Outlets

(a) Mortgage

With mortgaged outlets the Company employs a mortgage form which does not contain in itself any exclusive dealing provision.

(b) Other Contracts or Agreements

The Company uses in conjunction with the mortgage form a Trading Agreement form. (Exhibit 6, Great West, 1958 Return of Information). The agreement form contains an exclusive dealing provision (Clause 2 of the Agreement) similar to the one above mentioned with respect to the Company's Service Station Lease. In the event the dealer sells products other than as set out in Clause 2, Clause 12 of the agreement permits the Company to obtain an injunction against the dealer restraining him from doing so.

(3) Independent, Brand Outlets

With its independent outlets, the Company employs a form of Retail Dealer Sales Agreement which requires the dealer to provide the facilities and equipment to display and sell petroleum products, anti-freeze and other products which must be purchased exclusively from the Company (Clause 1, Great West, Form 530-K-7-57 (IM)). Moreover the dealer must

> " . . . continuously and exclusively buy, pay for and receive from the Company and from no other person, firm or corporation all of the Dealer's requirements of Petroleum Products, Tires, Anti-Freeze, or other products supplied or dealt in by the Company from time to time to the retail dealer trade, . . ."
>
> (Clause 4, Great West, Form S 30-K-7-57 (IM))

(4) Sundry Agreements and Contracts

The Company makes use of a Conditional Sale Agreement when equipment is sold to its outlets. This agreement contains a provision that

> ". . . until all monies payable . . . are fully paid the Purchaser will use the . . . equipment exclusively for the vending of the Company's products and will deal only in gasoline, refined oil, lubricating oils and greases and petroleum products generally purchased from the Company, . . ."

(Clause 4, Great West, Form GWD Conditional Sale Agreement)

Also in the same contract there is a provision in which the buyer agrees to purchase exclusively from the Company the products mentioned in the above noted clause. (Clause 5, Great West, Form GWD Conditional Sale Agreement)

Home

Home is engaged primarily in the marketing of automotive petroleum products.

(1) Leased Outlets

(a) Lease

With lessee operated outlets, the Company uses a lease which requires the dealer to

> " . . . purchase exclusively from the . . . [Company] or some other person or corporation designated by the . . . [Company] all gasoline or other petroleum products and all tires tubes batteries and automotive accessories required for sale upon the demised premises and also any necessary service station equipment and not to sell or offer for sale or permit to be sold or offered for sale upon the demised premises or in any way in connection with the business carried on by the Tenant thereon any gasoline or other petroleum products or any goods . . . which have not been purchased from . . . [the Company] or some other person or corporation specified by the . . . [Company]."

(Schedule, Clause 1, Home, Form HOD-171)

A similar clause appears as Clause 1 of the Schedule, Form L-4, to another lease, Form L-3.

In the event that the dealer violates this provision in Form HOD-171 the Company may collect

> ". . .a sum equal to the difference between the wholesale and retail prices of all such gasoline and other petroleum products and other goods . . . which have been purchased by him or sold or offered for sale by him or permitted to be sold or offered for sale by him in breach of . . . [the preceding provision] as and by way of liquidated damages and not as a penalty but without prejudice to any other rights or remedies . . . [the Company] may have under . . . this lease."
>
> (Schedule, Clause 3, Home, Form HOD-171)

Further to these exclusive dealing provisions, the lessee is prevented from advertising any product other than those supplied by the landlord by the following section:

> "To give the . . .[Company] the sole right without charge to display advertisements of any character whatever upon the demised premises and for such purpose to permit its servants or agents to enter thereon at any time and not to permit any other advertisements than those approved by the . . . [Company] to be displayed upon the same."
>
> (Schedule, Clause 5, Home, Form HOD-171)

The following clause provides for termination of the lease:

> ". . . IT IS HEREBY . . . AGREED . . .
>
> (a) That if . . . any covenant on the Tenant's part herein contained shall not be performed or observed . . . then and in every such case the then current month's rent and three month's additional rent shall immediately become due and payable and it shall be lawful for the . . . [Company] at any time thereafter forthwith to re-enter upon the demised premises . . . and thereupon this demise shall absolutely determine . . .
>
> . . .
>
> (g) That . . . the . . . [Company] may at any time terminate the tenancy hereby created by giving the Tenant notice to that effect and the Tenant will within twenty-four hours after the giving of such notice yield up the demised premises . . ."
>
> (Clause 3, Home, Form HOD-171)

(b) <u>Other Contracts or Agreements</u>

The Company's Home Oil Dealer Franchise is employed in dealing with all its outlets. This agreement provides in part as follows:

"Home agrees to supply to the Dealer and the Dealer agrees to purchase from Home all of the Dealer's requirements of petroleum products as sold by Home to retail dealers. . . ."

(Clause 2, Home, Dealer Franchise, 1958 Return of Information)

"The Dealer agrees . . . that no petroleum products other than those offered for sale by Home shall be advertised, kept or sold on the premises or on any other premises owned or controlled by the Dealer within one (1) mile of the premises."

(Clause 3, Home, Dealer Franchise, 1958 Return of Information)

In the event of an offer to lease or purchase being made to the dealer, Home upon receiving notice of such offer has the first option to purchase or lease the premises at the price offered. This clause of course would not apply where the dealer is already a lessee.

(2) Mortgaged Outlets

(a) Mortgage

With its mortgaged outlets, the Company uses standard forms of mortgage and chattel mortgage. In these documents the dealer is required not to

" . . . sell or offer for sale or permit to be sold or offered for sale upon . . . [his service station premises] any gasoline or other petroleum products or other goods in which the . . . [Company] deals not purchased either from the . . . [Company] or through some person or corporation specified by the . . . [Company] without first obtaining from the . . . [Company] its consent in writing to such sale."

(Clause 1 (7) (b), Home, Exhibit "D", 1953 Return of Information)

(See also Clause (b) p. 2, of Chattel Mortgage, Form No. 2, Home, Exhibit "E", 1953 Return of Information)

There is provision that the mortgage and the chattel mortgage cannot be prepaid until a specified time. Thus the exclusive provisions above mentioned will extend at least to the time when repayment is allowed.

(b) Other Contracts or Agreements

In dealing with its mortgaged outlets the Company also uses

its standard form of Home Oil Dealer Franchise.

(3) Independent, Brand Outlets

With independent, outlets the Company employs the same form of Home Oil Dealer Franchise already analysed in Section 1 (b) above.

(4) Sundry Agreements and Contracts

(a) Conditional Sales Agreement

Home Company also uses a Conditional Sales Agreement form. By this agreement the buyer is not

> ". . . to use the said property for the purpose of storing selling or delivering gasoline or other petroleum products which have not been supplied to the Buyer by the Seller while any part of the purchase price remains unpaid or until a period of . . . whichever period be the longer."

(Clause 2 (h), Home, Exhibit "F" 1953 Return of Information)

(b) Dealer Franchise

Since April 1957 Home Oil Company has been using a new contract entitled "Dealer Franchise and Quantity Purchase Contract for Products of The Goodyear Tire & Rubber Company of Canada, Limited." By this contract the dealer binds himself to buy yearly a certain quantity of Goodyear products from Home, during a period of time stipulated in the contract. However this contract by itself does not contain any exclusive dealing provisions although it does contain the following which may be interpreted as being somewhat limiting:

> " . . . the dealer agrees to use his best effort at all times to promote the sale and use of Goodyear products."

(Paragraph 2, p. 1, Home, Exhibit "B", 1958 Return of Information)

This contract is not intended to be used alone but probably only with dealers who are already bound to buy exclusively from Home under other contracts.

(c) Home Excel Battery Franchise

Another form is used by Home, the Home Excel Battery

Franchise (Exhibit "C" 1958 Home, Return of Information). As in the above-mentioned contract for the sale of Goodyear's products, this contract in itself does not contain exclusive dealing provisions. However it appears unlikely that it would be used except with dealers already bound under other contracts by exclusive dealing provisions.

Husky

Husky is engaged directly in the following phases of the petroleum industry: exploration, production, refining and marketing. It also distributes T.B.A. products. Sales are made to retail petroleum outlets and also to jobbers.

(1) Leased Outlets

With lessee operated outlets Husky uses a Service Station Lease in which the following provisions are contained:

> "The Lessee covenants and agrees that during the term of this agreement he will, continuously and exclusively, by himself or his agents, purchase, sell, advertise, trade and deal in the particular kinds, grades and brands of products marketed by the Lessor to the Retail Dealer Trade generally, at the time and point of delivery and further covenants and agrees that during the term of this agreement no petroleum products of a nature similar to those the Lessor is able to supply other than those of the Lessor will be used, stored, sold or otherwise dealt in, . . . premises . . . owned or controlled by the Lessee within one mile of the said premises . . ."
>
> (Clause 20, Husky, Service Station Lease, 1958 Return of Information)

The following clauses provides for termination of the lease:

> " . . . the Lessor shall have the right to terminate this lease . . . at any time and to enter into possession upon giving the Lessee seven (7) days notice in writing . . . "
>
> (Clause 6, Husky, Service Station Lease, 1958 Return of Information)
>
> "It is . . . agreed that, upon breach or non-performance of any covenant, agreement, proviso or condition in this lease, the Lessor may, at its option, terminate this lease forthwith. . ."
>
> (Clause 14, Husky, Service Station Lease, 1958 Return of Information)

(2) Mortgaged Outlets

(a) Mortgage

The Mortgage Loan Application used by Husky also contains restrictive provisions. The mortgagor agrees to

> " . . . purchase and handle exclusively the petroleum products of HUSKY OIL & REFINING LTD., and tires, tubes and batteries designed by them for the full term of the mortgage or until full repayment has been made, whichever period shall be the longer."
>
> (Clause 5, Husky, Application for Mortgage Loan, 1958 Return of Information)

An additional clause is attached to the Mortgage Loan Application providing specifically for the mortgagor to deal only in the products of the Company as a principal consideration of the agreement (Page 4 to Application for Mortgage Loan 1958, Husky Return of Information). The mortgage period is extended by a clause providing that the mortgagor may repay the full amount except for a small sum which cannot be paid until a specified time.

(b) Other Contracts or Agreements

In the mortgage, the mortgagor agrees to execute the Company's Retail Dealer Sales Agreement.

(3) Independent, Brand Outlets

With independent outlets the Company uses a Retail Dealer Sales Agreement. This agreement used also by the Company in dealing with its mortgaged outlets, contains the same exclusive dealing provision as the one contained in the Company's Service Station Lease. (Clause 4, Husky, Retail Dealer Sales Agreement, 1958 Return of Information)

(4) Sundry Agreements and Contracts

(a) Chattel Mortgage

While it appears unlikely to be found alone, the Chattel Mortgage used by the Company does not contain any exclusive dealing provision.

(b) Conditional Sales Agreement

The Company's Conditional Sales Agreement has the following clause:

"Until all moneys payable hereunder are fully paid, the Purchaser covenants that he will not use the said equipment for any purpose except for the storage and/or sale of petroleum products supplied by Husky Oil & Refining Ltd."

(Clause (b), Husky, Form M 10)

The Loaned Equipment Agreement contains a similar provision. (Clause 4, Husky, Loaned Equipment Agreement, 1958 Return of Information)

Imperial

Imperial Oil is a fully integrated oil company which is engaged directly, as well as through subsidiaries and related companies, in all phases of the petroleum industry. It distributes a complete line of automotive petroleum and T.B.A. products to retail petroleum outlets.

(1) Leased Outlets

(a) Lease

With its lessee operated outlets, Imperial uses different forms of lease depending on the laws of the Provinces in which the Company is doing business. These forms do not contain any restrictive provisions. The following clause from the lease form used in Ontario appears to be similar to that in other leases and provides for termination of the lease as follows:

"If the Lessee at any time fails, refuses or neglects to perform any of the conditions, stipulations or agreements herein contained which on his part ought to be performed, . . . then and in any such case, the Lessor . . . shall be at liberty to give fifteen days' notice of the termination of this Lease . . ."

(Last Paragraph, p. 2, Imperial, Form S-466 H/9 Ontario)

(b) Other Contracts or Agreements

In its 1953 return the Company indicated that the lessees also execute a Retail Dealers Agreement contract. This contract has now been replaced by the Imperial Esso Dealer Franchise Agreement. Although the Company does not state in its 1958 return whether this contract is executed by the lessees, it is most probable that the lessees do execute this agreement in conjunction with the lease. This agree-

ment provides that the dealer will

> ". . . purchase from Imperial . . . all of Dealer's requirements of such petroleum products as may be sold by Imperial to the retail dealer trade . . . "

(Clause 2, Imperial, Form 1-S-761/4-5 years, June, 1954)

The dealer further agrees

> "For the prctection of Imperial's name and trade marks . . . not to do or suffer to be done anything to endanger the same; . . . that no petroleum products other than those offered for sale by Imperial shall be kept, sold, or otherwise dealt in . . . [on the premises of the Dealer]".

(Clause 7, Imperial, Form 1-S-761/4-5 years, June, 1954)

(2) Mortgage Outlets

(a) Mortgage

With mortgaged outlets, Imperial Oil employs a mortgage form which may vary, though not substantially, according to the Province in which the contract is made. By this contract the mortgagor agrees to use the mortgaged premises for the period of the mortgage

> ". . . for no other purpose than that of a garage and/or service station and insofar as petroleum products are concerned for the sale and handling of and dealing in of the petroleum products of the Mortgagee as and when the same shall be offered for sale by the Mortgagee to the dealer trade and that the Mortgagor will purchase from the Mortgagee exclusively and no other all such petroleum products which may be sold or otherwise dealt with on or about the lands and premises. . . "

(Pages 4 and 5, Imperial, Nova Scotia, New Brunswick and Prince Edward Island Mortgage Form. Not numbered)

There is a provision that prepayment of the Mortgage can be made under certain conditions except for an amount of $200 which cannot be paid until a specified date.

(b) Other Contracts or Agreements

An Imperial Esso Dealer Franchise Agreement is also used in cases where direct financial assistance is extended for a period of ten years. This franchise is effective for a ten year period and

contains the same exclusive dealing provisions as mentioned in Paragraph (1) (b) (Imperial, Form 1-S-760-10 years, August, 1956, Clauses 2 and 7)

3) Independent, Brand Outlets

With independent outlets, the Company uses the Imperial Esso Dealer Franchise Agreement. The exclusive dealing provisions contained in this contract have already been dealt with in the preceeding paragraphs.

4) Sundry Agreements and Contracts

Imperial is the exclusive distributor in Canada of a wide range of T.B.A. merchandise marketed under the trade name Atlas, and offers all its outlets the opportunity to sign an Agreement for Atlas Products. Although no exclusive dealing provision is contained in this contract, it does contain a provision which may possess some restrictive implications. This provision is to the effect that

> "The Purchaser will actively engage in the sale and distribution of Atlas products, and will purchase from the Vendor and keep on hand at all times during the life of this Agreement a reasonable stock of Atlas products, and will use his best efforts to sell and promote the sale of Atlas products."

(Clause 2, Imperial, Form 1T-10/2, Jan. 1958)

Irving

Irving is engaged directly, as well as through subsidiaries, in the wholesale marketing of petroleum and allied products. It distributes petroleum products and anti-freeze to retail petroleum outlets.

1) Leased Outlets

With lessee operated outlets, the Company makes use of a form of lease in which the dealer undertakes to

> " . . . purchase from the lessor or its nominees . . . all of the supplies of petroleum products or substitutes therefor, or other products and supplies used for the purpose of furnishing power to motivate vehicles of any kind whatsoever; also anti-freeze, batteries, tires and automobile accessories and equipment sold or distributed by the lessor or its nominees which may be required for use or sale on the demised premises . . . to

the intent that only such products and supplies as sold or distributed by the lessor or its nominees shall be used or sold on the demised premises, unless and until written permission of the lessor to use and sell any other products and supplies on the demised premises is first had and obtained."

(Clause 8, p. 3, Irving, Lease, no form number)

The following clauses provide for termination of the lease:

" . . . Any breach of any of such covenants and provisions [of the lease] shall entitle the lessor to forthwith cancel this lease."

(Clause 3, p. 5, Irving, Lease, no form number)

"That . . . in case of breach, default or non-performance of any of the covenants, provisos, conditions, reservations or agreements in this lease contained and by . . . the said lessee to be kept, observed or performed . . . it shall be lawful for the said lessor . . . without any legal or formal demand being first made, into . . . the premises hereby demised . . . to re-enter and . . . repossess . . ."

(Paragraph 3, p. 6, Irving, Lease, no form number)

(2) Mortgaged Outlets

With its mortgaged outlets, the Company employs an Agreement for Sale containing similar exclusive dealing provisions as those above mentioned (Clause 2 (b) (i) and (ii), Irving, Agreement for Sale, no form number). Under the Agreement for Sale the purchaser cannot prepay the amount of the sale. It has to be paid as stipulated in the contract. Furthermore any monies received by the Company from the purchaser

" . . . in advance of payment due dates shall be held in trust by the . . . [Company] to be credited to the purchaser as and when payments on account of the money portion of the consideration shall become due . . ."

(Clause 2(a), Irving, Agreement for Sale, no form number)

under the contract.

(3) Independent, Brand Outlets

With independent outlets, the Company employs agreements relating to the loan or sale of equipment. These agreements contain

exclusive dealing provisions similar to those contained in its Lease. (Clause 9, Irving, IM sets 5-50 and Clause 10, Irving, 750 sets 5-50 respectively).

Joy

Joy is engaged in the distribution of petroleum products to retail outlets.

Leased Outlets

Apparently the Company only has a few retail outlets owned or leased by the Company and operated by it or lessee dealers. It is not stated in the Company's return whether or not any agreements are used with respect to the lessee dealers.

Lion

Lion is engaged in the distribution of gasoline and other petroleum products and T. B. A. products. The Company distributes its products through retail outlets.

(1) Leased Outlets

A lease form was once used by the Company, but it was not provided with the return.

(2) Mortgaged Outlets

With its mortgaged outlets the Company uses an Agreement for Loan in conjunction with a mortgage and a chattel mortgage. While the mortgage and the chattel mortgage forms do not contain exclusive dealing provisions, the Agreement for Loan does (Clause 1, Lion, Agreement for Loan, Return of Information). This latter provision appears to include T. B. A. products as well as petroleum products.

North Star *

North Star is engaged in the refining and wholesale marketing of petroleum products. It distributes petroleum products and anti-freeze to retail petroleum outlets.

(1) Leased Outlets

(a) Lease

With lessee operated outlets, the Company employs a lease which requires the dealer to

---

* Control of North Star has been acquired by Shell.

" . . . sell from the demised premises only such petroleum products as are purchased from the Company."

(Paragraph 6, p. 2, North Star, Exhibit C, 1958 Return of Information)

With respect to advertising, the lessee agrees

"Not to erect or display, or permit to be erected or displayed on the said premises any signs or advertising material without the consent of the Company."

(Paragraph 12, p. 2, North Star, Exhibit C, 1958 Return of Information)

The following clauses provide for termination of the lease:

"This lease may be terminated at any time during the term . . . by either party giving thirty days notice."

(Paragraph 3, p. 1, North Star, Exhibit C, 1958 Return of Information)

" . . . upon default by the tenant of any of the conditions contained herein the Company may terminate this lease . . . at any time without notice, . . ."

(Paragraph 15, p. 2, North Star, Exhibit C, 1958 Return of Information)

(b) Other Contracts or Agreements

The above noted lease contract does not contain any exclusive dealing provision relating to T. B. A. products. However, the followi statement found in the Company's return seems to refer to a verbal or written agreement between the Company and its lessees of Compan owned stations. If such an agreement exists, it is not supplied in the Company's return. The statement reads as follows;

"Lessees of Company owned service stations are required, as a condition of their lease, to purchase from the Company automotive oils, greases anti-freeze and additives, and to purchase TBA products from suppliers designated by the Company. In the case of automotive oils, greases, anti-freeze and additives which the Company either manufactures or blends or buys as finished products for resale, the lessee is required to handle such product through the Company owned station in the same manner as he is handling gasoline being sold by the Company. Failure to do so

constitutes a breach of lease."

(North Star, 1958 Return of Information)

(2) Mortgaged Outlets

(a) Mortgage

With its mortgaged outlets the Company employs a Lease-Option Agreement. When it is lending money, the Company instead of using a regular mortgage, buys the property and becomes the owner. Then the Company rents the same premises back to the seller; the stipulated rent being in fact, the repayment of the loan made. After the last monthly payment, the lessee has a first option to buy his property back at the price of $1.00. Since the monthly payments are stipulated for a number of years, the lessee may not prepay the total amount of the rent. He can prepay the rent for any number of months except for the last three months which are not payable in advance.

By Lease-Option Agreement, the lessee or mortgagor is required to

> " . . . purchase exclusively from the . . . [Company] or its successors in business, all petroleum products, including without restricting the generality of such term, gasoline, kerosene, naphtha, distillate, oils and greases, which the lessee may require for use or sale on or from the said lands and premises, or any part thereof . . . ; and not, during the currency hereof, directly or indirectly, to buy, receive, sell, dispose of, advertise, display or store . . . any petroleum products other than such as shall have been actually purchased from the . . . [Company] and in addition, to purchase and deal in exclusively during the currency of this . . . [Contract] such brands of motor vehicle accessories, tires and batteries as may be authorized and/or designated from time to time by the . . . [Company]."

(Clause I (j), North Star, Lease-Option, Exhibit I, 1958, Return of Information)

By the same contract, the dealer agrees not to engage in the service station trade elsewhere within 25 miles of the mortgaged premises during the currency of the agreement(Clause I (f), North Star, Lease Option, Exhibit I, 1958 Return of Information).

(3) Independent, Brand Outlets

(a) Retail Dealer Agreement

With independent outlets, the Company makes use of an Equipment Loan Agreement and of a Buyer's Agreement. The Buyer's Agreement provides that the dealer shall buy from the Company his entire requirements of gasoline, kerosene, and tractor fuel during the term of the contract. (Exhibit E, North Star, 1958 Return of Information)

(b) Other Contracts or Agreements

Two Equipment Loan Agreement forms are used by the Company. One relates to handling equipment and the other is related to advertising equipment (Exhibit G and H respectively, North Star, 1958 Return of Information). Both forms contain provisions by which the dealer agrees to dispense through the said equipment, or to advertise by way of the said equipment, only merchandise marketed by the Company. In the contract related to handling equipment, the dealer further agrees to have available and handle at all times through the said equipment, merchandise purchased from the Company.

Planet

Planet Oil is engaged in the distribution of petroleum and T. B. A. products. It distributes its products through retail outlets.

This Company seems to have only lessee operated outlets. A Retail Dealer Sales Agreement is used in conjunction with the lease. While the lease does not contain any exclusive dealing provisions, the Retail Dealer Sales Agreement does contain one which includes petroleum and T. B. A. products. The documents are not analysed in detail because of the reported purchase of the Company by B. P.

Radio

Radio is engaged primarily in the refining and marketing of automotive petroleum products. It distributes automotive petroleum products and anti-freeze to retail outlets.

(1) Leased Outlets

With its lessee operated outlets, the Company uses a lease which requires the dealer

"To sell only petroleum and other products purchased by the Lessee from the Company, and such tires and tubes and other

products as are approved by the Company; and further, to have available for sale at all times on the said premises a sufficient supply of such products, tires and tubes."

(Clause 3, p. 2, Radio, Lease, Schedule 1, 1953 Return of Information)

'he lessee further agrees not to

" . . . attach or permit to be attached any signs to the buildings unless the consent of the Company is first obtained."

(Clause 10, p. 2, Radio, Lease, Schedule 1, 1953 Return of Information)

n paragraph 1, page 2 of the above lease provision is made

"for re-entry by the said Lessor on . . . non-performance of covenants".

n addition, the lease

". . . may be terminated at any time by either of the parties . . . giving the other thirty (30) days notice in writing . . . "

(Paragraph 2, p. 3, Radio, Lease, Schedule 1, 1953 Return of Information)

.nd also that, in the event the lessee fails to perform certain operating equirements,

". . . the Lessor shall have the right to terminate the within demise on one (1) week's notice in writing . . . "

(Paragraph 4, p. 3, Radio, Lease, Schedule 1, 1953 Return of Information)

2) Mortgaged Outlets

A very small proportion of the Company's outlets are mortgaged outlets. However the Company does not in its return refer to any agreements used with these outlets.

(3) Independent, Brand Outlets

With independent outlets the Company uses a Retail Dealer Agreement form. By this agreement the dealer agrees to

> " . . . purchase from Company on the said premises all gasoline and such other petroleum products as may be offered for sale by Company to the dealer trade, . . . and . . . during the currency hereof no such products other than those of Company shall be sold or otherwise dealt with on or above the said premises . . . ."

(Clause 2, Radio, Retail Dealers Agreement, Schedule 4, 1953 Return of Information)

(4) Sundry Agreements and Contracts

The Company uses a Statutory Declaration of Acknowledgement of Loan of Chattels form in which there are no provisions limiting the use of the equipment loaned.

Regent

Regent is engaged directly in the refining and marketing of petroleum products. It distributes automotive petroleum products and anti-freeze to retail outlets.

(1) Leased Outlets

(a) Lease

With its lessee operated outlets, the Company employs two forms of lease, a Service Station Lease - Lessee Dealer (Regent, Form G-77-C), and Service Station Lease - Lessee-Dealer (long term) (Regent, Form G-77-C (LTL)).

The lease (Form G-77-C) does not contain any exclusive dealing provisions. However the lessee agrees not to

> " . . . install or permit to be installed on the premises or in or on the buildings situated on the premises herein leased, during the term of this lease or any renewal thereof, any signs or placards, without first having secured the written approval of the Lessor. . . ."

(Clause 9, Regent, Form G-77-C)

While containing the same provision with respect to advertising, the lease (long term) (Clause 10, Regent, Form G-77-C (LTL)) further stipulates that the lessee will

> ". . . purchase or cause to be purchased exclusively from the Lessor all petroleum products, and anti-freezes as are sold by the Lessor which the Lessee shall require for use or sale on

or from the demised premises . . . ; and that . . . [he] will not during the said term either directly or indirectly use, buy, receive, sell, dispose of, or otherwise deal in . . . any petroleum products and anti-freezes in, on, or out of, or about the said premises other than those purchased from the Lessor shall consent thereto in writing. . . ."

(Clause 5, Regent, Form G-77-C (LTL))

Provision is made in the lease for its termination for the following reasons, among others:

". . . if there be default, breach or non-observance by the Lessee at any time in respect of any covenant, proviso, condition or reservation herein contained which on the part of the Lessee ought to be observed or performed, then the Lessor . . . may re-enter the said premises and thereafter . . . possess. . . them . . . and such right of re-entry shall become exercisable immediately upon such default or breach . . . "

(Clause 14, Regent, Form G-77-C)

A similar clause (Clause 15) appears in the Company's long term lease.

(b) Other Contracts or Agreements

With respect to T.B.A. products, the lessees are not bound by he above mentioned contracts to purchase their requirements from he Company or its nominees. However, the Company in its return oints out that certain of their lessees will verbally agree with the Company to enter into arrangements with certain of the suppliers of T.B.A. products indicated by the Company. In these instances the essees are reminded if necessary of their verbal arrangements to his effect. (Answer to Question 12, p. 8, 1958 Return of Information or Regent)

(2) Mortgaged Outlets

(a) Mortgage

The Company apparently uses a mortgage contract which is not provided with its return.

(b) Other Contracts or Agreements

In conjunction with the mortgage the Company employs a Standard Trading Agreement. This agreement provides that the

mortgagor shall

> ". . . purchase from the . . . [Company] exclusively and continuously, all gasoline, oils, greases and anti-freezes and will purchase exclusively such tires, tubes and batteries as are designated by the . . . [Company] required by him for sale or use on or in conjunction with the . . . [mortgaged] premises . . . and will not . . . purchase any gasoline, oils, greases and anti-freezes, tires, tubes and batteries for sale or use as aforesaid from any person, firm or corporation other than the . . . [Company]."
>
> (Clause 2, Regent, Form 5-55)

The mortgagor agrees,

> "That he will during the . . . [period of contract] display no other signs or advertisements of gasoline, oils, greases and anti-freezes, tires, tubes and batteries than those furnished by the . . . [Company] or its nominee without its approval, . . ."
>
> (Clause 4, Regent, Form 5-55)

In Clause 9, Regent, Form 5-55, the mortgagor agrees not to carry on any other business at his station if it conflicts with the sale of the Company's products or of merchandise of designated suppliers. In Clause 7 of the same form the mortgagor agrees as an interested party not to enter any business dealing in products like those of the Company without having obtained from the other parties in the business, covenants in favour of the Company similar to those in Form 5-55.

The Standard Trading Agreement stipulates that the provisions contained therein shall be effective for a period of a specified number of years or until all monies owing to the Company shall be paid, whichever period shall be longer. (Clause 2, Regent, Form 5-55)

(3) Independent, Brand Outlets

With its independent outlets the Company uses a Dealer Sale Agreement. In this agreement the dealer agrees to

> ". . . advertise, purchase, trade and deal in the products of the . . . [Company] exclusively. . . ."
>
> (Clause 6, Regent, Form S-207D)

ı the event of a breach of this agreement the Company may obtain ımages to be calculated on the number of gallons of gasolines hich the dealer would have otherwise purchased. The dealer also grees not to

> " . . . sell products purchased from others under the trade-mark or trade name of . . . [Company] unless . . . [Company] shall, after analysis thereof, give special consent in writing; . . ."

(Paragraph 20, p. 4, Regent, Forms S-207 D, Provisions of Agreement)

:) Sundry Agreements and Contracts

(a) Equipment Loan Agreement

The Company's Equipment Loar Agreement provides that ıe dealer shall

> ". . . purchase exclusively from the Company during the period of loan, all his requirements of . . . [specified products]"

(Clause 3, Regent, Form S-101 (5m-6-57))

his contract contains a clause by which

> "The Company's products solely shall be dispensed through the Company's equipment and no similar equipment belonging to other companies shall be installed on the premises during the term of this agreement without the consent of the Company first obtained in writ ing."

(Clause 4, Regent, Form S-101 (5m-6-57))

(b) Conditional Sale Agreement

The Company also employs where applicable a Conditional ıle Agreement by which the purchaser agrees to use the equipment ɔld, until fully paid,

> ". . . continuously and without interruption and exclusively for the purpose of storing and distributing the petroleum products which may be sold or furnished by him by the . . . [Company]."

(Clause 11, Regent, Exhibit No. 8, 1958 Return of Information)

(c) Dealer Lubricant Agreement

The Dealer Lubricant Agreement contains the same provision as the Retail Dealer Lubricant Agreement with respect to selling products under the Company trade marks. (Paragraph 18, p. 4, Regent, Form S-326)

Reliance

Reliance is engaged primarily in the wholesale marketing of petroleum products. It distributes automotive petroleum products, alcohol and anti-freeze to retail petroleum outlets. It has been reported in the press, that the Company has consolidated its marketing facilities with those of Supertest.

(1) Leased Outlets

With its lessee operated outlets, the form of lease employed by the Company contains a provision whereby the lessee dealer agrees to

> ". . . purchase exclusively from the Lessor for cash, and deal in and sell exclusively, actively and continuously, gasoline, kerosene, diesel fuel oil, motor oils, greases and other petroleum products, as well as alcohol and anti-freeze of every kind, refined, manufactured or handled by the Lessor . . . The Lessee further agrees not to receive, sell or dispose of, either directly or indirectly, or permit to be purchased, sold or disposed of, on or about the . . . [leased] premises any of the aforesaid products, other than that which shall have been actually purchased from the said Lessor."
>
> (Paragraph 11, p. 2, Reliance, Form 74 A (Rev.) IM-H. & B. -5/57)

In another provision in the Company's form of lease the lessee agrees to

> ". . . deal in and sell exclusively, actively and continuously . . . brands or makes of automobile tires, casings and tubes, and automobile accessories and automobile storage batteries expressly approved of and designated by the Lessor in writing from time to time . . . The Lessee further covenants and agrees with the Lessor that the Lessee will not . . . deal in, receive, sell or dispose of, either directly or indirectly, or permit to be dealt in, purchased, sold or disposed of, on or about the . . . [leased] premises, any brands or makes of automobile tires, casings or tubes, or automobile accessories or automobile storage batteries, other than brands or makes which have been expressly approved of and designated by the Lessor in writing. The Lessee further agrees to keep a record

on a form to be supplied by the Lessor of his purchases of tires, batteries and accessories."

(Paragraph 16, p. 2, Reliance, Form 74 A (Rev.) IM-H. &B. 5/57)

similar provision appears in an earlier form of service station ase (Paragraph 17, p. 2, Reliance, Form 74 (Rev.) IM-4-53).

ne lease may be terminated by the Lessor as follows:

"It Is Agreed between the parties hereto . . . that the Lessor shall have the right in its absolute discretion, and without being required to furnish reasons therefor, to terminate this lease at any time upon giving to the Lessee three (3) days' notice in writing of its intention to do so, . . ."

(Page 1, Reliance, Form 74 A (Rev.) IM-H. &B. 5/57)

oreover it is provided

". . . that. . . if a breach or default shall be made by the Lessee in any of the covenants herein contained, then and in every such case, it shall be lawful for the said Lessor into . . . the said premises . . . to re-enter and . . . to . . . re-possess . . . as if . . . [the lease] had never been executed."

(Paragraph 1, p. 3, Reliance, Form 74A (Rev.) IM-H. &B. 5/57)

) Mortgaged Outlets

With its mortgaged outlets, the Company employs a mortgage rm which requires the dealer not to

". . . purchase, sell, or use, or permit to be purchased, sold, or used in, upon or about the . . . [mortgage premises] or any part thereof, any gasolines, kerosene, diesel fuel oil, motor oils, grease and other petroleum products, alcohols and anti-freezes, automobile tires, casings, tubes and automobile accessories and automobile storage batteries except such as shall be bona fide purchased by the mortgagor from the mortgagee or, at the option of the said mortgagee, from some other party authorized in writing by the mortgagee. . . ."

(Paragraph 3, p. 4, Reliance, Form 105-Mortgage Special-Long Form)

The mortgage can be prepaid except for a certain amount which nnot be paid until a specified date.

(3) Independent, Brand Outlets

With its independent outlets, the Company uses a Retail Dealer Agreement. In this agreement the dealer grants to the Company

> ". . . the sole and exclusive privilege of selling to . . . [his outlet] gasoline, diesel oil, kerosene, stove oil, motor oils, lubricants and other petroleum products, also anti-freeze and specialties distributed by the Company, . . ."

(Paragraph 3, p. 1, Reliance, Form 9/IM-11/56-H. & B.)

The dealer also agrees to use any equipment covered by the agreement

> ". . . for the sole purpose of storing, selling and distributing, actively and continuously, regular trade-mark brands of gasoline and petroleum products purchased by him from the . . . Company, . . ."

(Clause 3, Reliance, Form 9/IM-11/56-H. & B.)

The dealer in the same clause agrees not to install equipment of any other company on the premises during currency of the agreement. The dealer further agrees to

> ". . . purchase from the Company exclusively all his requirements of gasoline, diesel oil, kerosene, motor oils, lubricants, anti-freeze and such other products, as may be offered for sale by the Company to the Dealer trade, . . ."

(Clause 6, Reliance, Form 9/IM-11/56-H. & B.)

Royalite

Royalite is a fully integrated oil company which is engaged directly, as well as through subsidiaries, in all phases of the petroleum industry. It distributes automotive petroleum products and T.B.A. products to retail petroleum outlets.

(1) Leased Outlets

With its lessee operated outlets, Royalite employs a Service Station Lease which does not contain any restrictive provision about the lessee's purchases of petroleum or T.B.A. products. However, the lessor has power to control any advertising done on the leased premises. The lessee cannot install or permit to be installed

signs or placards, unless he has secured the written approval of the lessor (Clause 9, p. 6, Royalite, Exhibit "A", 1958 Return of Information). The lease provides for the immediate repossession of the leased property by the lessor should the lessee fail or default in carrying out any provisions of the lease. (Clause 2, p. 8, Royalite, Exhibit "A", 1958 Return of Information)

(2) Mortgaged Outlets

(a) Mortgage

With its mortgaged outlets, Royalite uses a mortgage form in which the mortgagor covenants and agrees with the mortgagee that

> ". . . during the currency of this Mortgage no petroleum products, anti-freeze, tires, tubes, batteries, or other automobile accessories other than those supplied, designated or permitted by the Mortgagee shall be sold or used therein."
>
> (Paragraph 3, p. 8, Royalite, Exhibit "B", 1958 Return of Information)

This mortgage is payable in full by equal monthly payments during 120 months, any balance being payable at the date of the last monthly payment. However, if the mortgagor agrees to lease his premises to Royalite, he can prepay the mortgage at any time, subject to payment of a penalty as stipulated in the contract.

(b) Other Contracts or Agreements

Royalite, with its mortgaged outlets also uses the cross-lease system by which the mortgaged premises are leased to Royalite in consideration of the mortgage itself; however, Royalite by way of a second lease, leases the same premises back to the mortgagor. This last mentioned lease binds the lessee (mortgagor) to use the premises rented for

> ". . . no other primary purpose than that of a garage and/or service station premises for the sale, handling and dealing in Royalite's petroleum products as and when the same shall be offered for sale by Royalite to the dealer trade and . . . [to purchase] from Royalite exclusively all petroleum products and only sell such tires, batteries, accessories and anti-freeze as may be designated by Royalite from time to time. . ."
>
> (Clause 17, Royalite, Exhibit "D", 1958 Return of Information)

In the same lease there is the following provision which deals with advertising:

> "The Lessee shall not install or permit to be installed on the demised premises . . . during the term of this lease, any signs, placards or billboards which may in the opinion of Royalite constitute any impediment or detriment to the sale of its petroleum products on the demised premises . . . Royalite shall have the right to remove . . . any such signs. . ."
>
> (Clause 19, Royalite, Exhibit "D", 1958 Return of Information)

(3) Independent, Brand Outlets

A Dealer Sale Agreement is used by Royalite in its dealings with independent outlets. This contract binds the dealer to advertise, purchase, trade and deal in the petroleum products of the seller exclusively. (Clause 6, Royalite, Form M-3 Revised 56, 1958, Return of Information). In the event of a breach of the purchaser's undertaking as set out above, the damages could be sought under the contract and would be calculated on the number of gallons of gasoline which, but for the said breach, would have been purchased from Royalite. There is no restriction however with regard to purchases of T.B.A. products.

(4) Sundry Agreements and Contracts

(a) Conditional Sale Agreement

In the Conditional Sale Agreement used by the Company, the buyer agrees not to use the equipment bought until the full purchase price is paid, except for storing Royalite petroleum products (Clause 1, Royalite, Form M-104). It is further agreed by the buyer that he will pay the instalment on the amount due only, as according to the contract, this would prevent the buyer prepaying any amount on the purchase price.

(b) Loan of Equipment

Royalite's Undertaking and Acknowledgement of Loan of Equipment contract contains the following provisions where the customer agrees to

> ". . . use the said equipment or any part thereof only for or in connection with the storing, handling and sale of products supplied, designed or permitted by the Company."
>
> (Clause 3, Royalite, M-98)

". . . The Customer shall not change the coloring or design marked upon the said equipment or any part thereof without consent in writing of the Company."

(Clause 4, Royalite, M-98)

Shell

Shell is a fully integrated oil company engaged directly, as well as through subsidiaries and related companies, in all phases of the petroleum industry. It distributes automotive petroleum products, alcohols, anti-freeze and miscellaneous specialties (automotive transmission fluid, hydraulic brake fluid, marine grease, valve lubricant, etc.) to retail petroleum outlets.

(1) Leased Outlets

(a) Lease

For its lessee operated outlets, the forms of lease and Dealer Sales Agreement employed by the Company do not contain definite exclusive dealing provisions. The lease stipulates that

". . . This lease does not confer on Lessee any rights to use Shell's trade-marks, trade names, colour schemes or advertising signs or devices."

(Clause 10, Shell, Form 2006-D-284-D (Rev. 8/54))

The Dealer Sales Agreement provides that the dealer may use Shell's trade-marks etc., but that he will not

". . . sell or offer for sale under Shell's trade marks, trade names or colour scheme, any products other than those purchased. . . [from Shell]."

(Clause 5, Shell, Form 01235-2 (2001) Rev. 4/56)

Clause 10 of the lease specifically bars the use of the lease by Shell to exercise any control over the lessee's management of his business. However, termination of the lease is provided for as follows:

". . . If Lessee defaults in the performance or observance of any of the covenants or conditions of this lease. . . Shell may, at its option and without notice, terminate this lease and re-enter and repossess the premises,. . ."

(Clause 8, Shell, Form 2006-D-284-D (Rev. 8/54))

(b) Other Contracts or Agreements

With its lessee operated outlets Shell uses also an Equipment Loan Agreement and a Conditional Sale Agreement. By the loan agreement, the lessee binds himself to

> ". . . use said equipment solely for or in connection with the storage, handling and use of petroleum products manufactured or sold by Shell, . . ."
>
> (Clause 3, Shell, Form D 284-19 (5004) Rev. 3/55)

In the Conditional Sale Agreement the buyer agrees

> ". . . to use the Equipment solely for the purpose of, or in connection with storing and dispensing petroleum products manufactured or sold by Shell."
>
> (Clause 4, (h), Shell, Form 2111, Rev. 11/54)

While the original return of the Company does not give any reason why such contracts are employed in dealing with the lessee operated outlets, it seems that these forms are concerned with equipment which is not provided with the premises.

The Shell Lubrication Franchise Agreement also used by Shell in dealing with its lessee operated outlets provides that the dealer

> ". . . agrees to use, advertise and display only lubricating oils and greases obtained from Shell . . . and . . . agrees to purchase from Shell and to keep on hand at all times a representative stock of automotive lubricant as listed in . . . [contract]"
>
> (Clause 6, Shell, Form 7000 (Rev. 4/52) - Exhibit "A5", 1953 Return of Information)

(2) Mortgaged Outlets

In dealing with its mortgaged outlets, the Company employs a mortgage which requires the mortgagor-dealer not to

> ". . . sell or otherwise deal in, handle, dispose of, or advertise any gasoline or other petroleum products upon the . . . [mortgaged] lands or by means of any tanks, pumps or other equipment owned or controlled by him, other than the gasoline and other petroleum products supplied by the Mortgagee, and that no part of the . . . [mortgaged] lands . . . and no part of any lands adjoining the same now or hereafter owned by him

or in his possession shall be used for the sale or other dealing, handling, disposition or advertising of any gasoline, or other petroleum products except such gasoline and other petroleum products as are supplied by the Mortgagee . . ."

(Paragraph 6(a), p. 5, Shell, Mortgage, Exhibit "C3", 1953 Return of Information)

The mortgagor-dealer also agrees that he will

". . . handle, deal in, dispense and advertise the gasoline and other petroleum products of the Mortgagee exclusively . . ."

(Paragraph 6(b), p. 5, Shell, Mortgage, - Exhibit "C3", 1953 Return of Information)

The mortgage cannot be fully paid until a specified date.

(3) Independent, Brand Outlets

With independent outlets the Company makes use of two forms of Dealer Sales Contract, one of the two forms containing equipment loan provisions (Shell, Form 01235-1 (1908) Rev. 10/54 (Equipment Loan) and Form 1931-01235-1, Rev. 7/56). In both of these forms the dealer undertakes to purchase certain minimum quantities of gasolines, oils and greases from the Company. In addition, as in the Dealer Sales Agreement which is employed in dealing with lessee operated outlets, these forms both contain a provision that the dealer shall not sell

". . . under Shell's trade-marks, trade names or colour scheme, any products other than those purchased hereunder, . . ."

(Clause 5 in both Shell forms referred to above)

As to the equipment loan provisions referred to above, the following clause limits the use of said equipment as follows:

". . . All equipment furnished by Shell to Dealer during the continuance of this contract [Dealer Sales Contract] to be located at the premises, shall be subject to the provisions of this contract [Dealer Sales Contract]. . . "

(Clause 13, Shell, Form 01235-1 (1908) Rev. 10/54)

(4) Sundry Agreement and Contracts

(a) Imprinter Agreement

In the Company's Imprinter Agreement, understood to cover rental of the equipment for stamping credit purchase receipts with a customer's credit card, the customer is bound to

> ". . . use Imprinter solely for or in connection with handling and use of petroleum products manufactured or sold by Shell, and such other purposes as are authorized by Shell from time to time . . ."
>
> (Clause 4, Shell, Form 2112 (Aug. /56)

(b) Sales Plan of T.B.A. Products

In its District Marketing Manual, on page 3.249, Shell indicated the use of a T.B.A. Sales Plan under which certain lines of T.B.A. merchandise are recommended by Shell to the retail dealers. Shell advises its marketing representatives to attempt to sell all dealers its choice of T.B.A. products, pointing out that

> ". . . The final decision is, of course, the dealer's and if he does not see fit to take on the product line recommended no pressure should be brought to bear on him. Our slogan is SELL, DON'T TELL."
>
> (Paragraph 5, p. 3.249, Shell, District Marketing Manual, Revised Nov. 1956)

A letter has apparently on occasion been sent to the Company's dealers indicating that they are not bound by their contracts to buy their requirements of T.B.A. products from or through Shell, but that it should be good for their business for them to do so. (Letter dated June 1, 1956, to all Shell service station dealers)

Standard

Standard is engaged in the refining and wholesale marketing of petroleum products. It distributes only automotive petroleum products to retail petroleum outlets.

(1) Leased Outlets

(a) Lease

With its lessee operated outlets, the form of lease employed by the Company (Standard, BC-2-IM-9-57-68083) does not contain exclusive dealing provisions. However, a clause in the lease seems

limit to a certain extent the lessee in any endeavour to sell T.B.A. roducts other than those supplied by the lessor. This clause reads s follows:

> "Lessee shall not, without the Lessor's prior written consent . . . remove, cover, add to or deface any paint, sign or other property located on the premises or add any additional paint or signs to the premises or any property located thereon."
>
> (Last Paragraph, p. 1, Standard, BC-2-IM-9-57-68083)

his clause is new in the lease employed by the Company, (presumably nce September, 1957) since the corresponding form, filed in 1953, d not contain any such limitation. Termination of the lease by the ssor is provided for as follows:

> ". . . the Lessor may terminat: this lease at any time upon giving thirty (30) days' written notice thereof to the Lessee. . . ."
>
> (Paragraph 1, p. 1, Standard, BC-2-IM-9-57-68083)
>
> ". . . PROVISO for re-entry by the said Lessor on . . . non-performance of covenants."
>
> (Paragraph 2, p. 1, Standard, BC-2-IM-9-57-68083)

his last provision appears to provide for immediate re-entry without otice on the part of the lessor if the lessee fails to abide by the rovisions of the lease.

(b) Other Contracts or Agreements

The Dealer Gasoline and Lubricating Products Contract, used n dealing with the Company's lessees as well as with its independent ealers, contains a provision whereby the dealer agrees

> ". . . to buy from the . . . [Company] all of . . . [his] requirements of gasoline and such other petroleum products as may be offered for sale by the . . . [Company] used or sold or bought to be used or sold by the . . . [Dealer] in the conduct of . . . [his] business . . . and . . . [he] agrees not to buy, use or sell any other petroleum products in the conduct of . . . [his] business without the written consent of the . . . [Company]."
>
> (Paragraph 2, p. 1, Standard, BC-4-IM-10-57-68157)

In connection with the above-mentioned clause new sections were added to this contract after 1953 (presumably in October, 1957). They are related to advertising of T.B.A. and any other products on the service station premises occupied by the dealers (Clause 4, p. 2, Standard, BC-4-IM-10-57-68157). By these provisions no other products than those supplied or offered for sale by the Company, can be advertised, and no posters, signs or other advertising media other than those provided by the Company can be used without the written consent of the Company.

(2) Mortgaged Outlets

With its mortgaged outlets, the forms of real property mortgage, building mortgage and chattel mortgage (Standard, Form BCM-2-500-12-55-47088, as revised by BCM-2-500-3-56-47354; BCM-3-500-5-57-62391; and BCM-8-500-10-56-55173 and as revised by BCM-8-500-5-56-52217 respectively) employed by the Company all contain provisions whereby the mortgagor undertakes to purchase his entire requirements of petroleum products exclusively from the Company; and to purchase his entire requirements of tires, tubes, batteries, specialties and accessories exclusively from the company or its nominee (Clauses (a) p. 3 and (e) p. 4 of property mortgage, Clauses (a) and (e) p. 3 of building mortgage, and Paragraph 7, p. 3 of chattel mortgage). At the same time the dealer-mortgagor also undertakes not to sell any petroleum or other automotive products not purchased from the Company or its designated suppliers. In the 1953 return of the Company, four outlets were listed as subject to a mortgage in which the T.B.A. restrictions had been modified. In one, tires were exempted; in the second, accessories were exempted in the third, the T.B.A. covenant was waived in so far as it conflicted with the dealer's General Motors Franchise; and in the fourth, specialties and accessories and one-half of the outlet's battery requirements were exempted. Whether these four exceptions are still in existence is not known at the present time.

The full payment of the mortgage, in each case, can be delaye by the Company, thus extending the period in which the exclusive dealing provisions will be effective. The section to this effect reads as follows:

> "All or any part of the moneys then standing to the credit of the Mortgagor's Special Account, shall be applied against the Mortgage Account, and the mortgagor shall have the right, on the first day of any month during the term of this Indenture, . . . to prepay . . . all or any part of the principal moneys . . . save and except the sum of $100.00 of the principal moneys . . . which said sum of $100.00 shall not become due and payable and shall not be paid until the 1st of . . . "

(Clause (b) p. 2 of real property mortgage, Clause (b) p. 1, of building mortgage, and Clause (b) p. 2 of chattel mortgag

(3) Independent, Brand Outlets

With independent outlets, the Company uses a Dealer Gasoline and Lubricating Products Contract. This contract contains an exclusive dealing provision relating to gasoline and other petroleum products only as noted in Section 1 (b) above.

(4) Sundry Agreements and Contracts

(a) Conditional Sale Agreement

A Conditional Sale Agreement is also used by Standard. By this contract the title to all the personal property sold remains in the Company and does not pass to the Service Station dealer until fully paid. But as in the mortgage contract, the Company may delay the acceptance of the final payment by the following clause:

> ". . . the final payment of the purchase price payable hereunder shall not be deemed to be accepted by the Seller until the issuance by the Seller of an official receipt . . . "

(Clause 2, Standard, BC-1-500-1-54-25942)

In this Conditional Sale Agreement the dealer agrees to purchase

> ". . . exclusively from . . . [the Company] or from such other person, firm or corporation as . . . . [the Company] may direct in writing, all gasoline and other petroleum products, tires, tubes, batteries and such other products as may be offered by . . . [the Company] to the dealer trade, . . . "

(Clause 8, Standard, BC-1-500-54-25942)

and by Clause 9 of the same contract the dealer agrees not to sell gasoline, petroleum or other products not purchased from the Company or its designated suppliers.

There is also, in the same contract, a clause limiting the use of the personal property sold; it reads as follows:

> "During the currency of this contract . . . [the dealer] shall use the said personal property solely for the purpose of dispensing and purveying the aforesaid products of Seller or of such other person, firm, or corporation as . . . [the Company] shall from time to time specify."

(Clause 10, Standard, BC-1-500-1-54-25942)

(b) Zeon Sign Agreement

In the Company's Zeon Sign Agreement, there are provisions which may be interpreted as binding the lessee to purchase his supplies of T.B.A. from the lessor. The section to this effect reads as follows:

> ". . . and you agree to claim no right to use said sign except in connection with products supplied by us and sold by you."

(Paragraph 2, Standard, BC-20-1500-, 2: 57, 62059 (1169))

(c) Tire, Battery and Accessory Purchase Agreement

After June 1, 1957 Standard would not accept credit card sales of T.B.A. products from the Company's Chevron dealers unless these dealers had signed the Tire, Battery and Accessory Purchase Agreement. By this agreement the Company agrees to honour credit card purchase invoices covering the sale by the dealer of T.B.A. products on the following condition:

> "That you [the dealer] purchase all such tires, tubes, batteries, and automotive accessories for sale from your service station premises . . . from . . . "

(Clause (a), Standard, BC-26, 9:57, 3M, #66233 (1328))

and the supplier of such products is presumably designated by Standard in the spaces provided.

Sunoco

Sunoco is engaged directly and through one related Company, in the transportation, refining and marketing of petroleum products. It distributes automotive petroleum products, batteries, parts and other accessories to retail petroleum outlets.

(1) Leased Outlets

(a) Lease

With its lessee operated outlets, the Company employs a Real Estate Lease by which the lessee covenants

> ". . . that the only petroleum products to be sold . . . [from the demised premises] shall be those of Sun Oil Company Limited. . . ."

(Clause 5, Sunoco, Form S-420C-3/52)

Termination of the lease by the lessor for a number of reasons is provided and includes the following:

> ". . . if Lessee fails to comply with the terms of this lease or of Retailer Agreement. . . then Company shall have the right to terminate this lease on twenty-four hours notice."
>
> (Clause 8, Sunoco, Form S-420C-3/52)

(b) Other Contracts or Agreements

In conjunction with the above Real Estate Lease the Company uses a Retailer Agreement in dealing with its lessees. The lessee agrees to abide by the terms of the Retailer Agreement as one of the terms of the lease. The agreement provides that the dealer or lessee shall

> ". . . buy from Company his entire requirements of gasoline and/or motor fuel, which Buyer agrees shall not be less than the minimum quantities set forth . . . [in the contract]."
>
> (Clause 3 , Sunoco, Form S-407 C)

With respect to motor oil and grease, a similar provision indicates a minimum quantity to be purchased. The dealer further agrees not to

> ". . . sell or allow to be sold from the . . . [premises described in the contract], or from any place within 500 feet thereof, petroleum products other than those supplied by Company. . . ."
>
> (Clause 1, Sunoco, Form S-407 C)

The dealer's equipment owned by him or purchased from the Company is to be used

> ". . . only for the purpose of storing, advertising and dispensing Company's products:"
>
> (Clause 2, Sunoco, Form S-407 C)

In the event of a breach of this contract, the damages are to be calculated on a basis specified and described in the contract.

(2) Mortgaged Outlets

Sunoco does not have any outlets to which it has extended

financial assistance.

(3) Independent, Brand Outlets

With independent outlets, the Company uses the same form of Retailer Agreement as with its lessee operated outlets. This form was analysed in Section 1 (b) above.

Supertest

Supertest is engaged primarily in the wholesale marketing of petroleum products. It distributes petroleum products, alcohol, anti-freeze, and tires and tubes to retail petroleum outlets.

(1) Leased Outlets

With lessee operated outlets, the Company employs two forms of lease: one for Ontario and the other for Quebec. Both forms contain provisions by which the lessee is required to

> ". . . purchase exclusively from the Lessor for cash, and deal in and sell exclusively, actively and continuously, gasolines, kerosene, motor oils, greases and other petroleum products, as well as alcohol and anti-freeze of every kind, refined, manufactured or handled by the Lessor during the currency of this lease . . . ."

(Paragraph 18, p. 2, Supertest, Form 188-L)

The lessee-dealer further agrees

> ". . . not to receive, sell or dispose of, either directly or indirectly, . . . on or about the . . .[leased] premises or on any premises within a radius of two miles thereof over which the Lessee has any control, any of the aforesaid . . .[petroleum and anti-freeze] products, other than . . . actually purchased from the said Lessor."

(Paragraph 18, p. 2, Supertest, Form 188-L)

The dealer further agrees to

> ". . . deal in and sell exclusively, actively and continuously on the . . .[leased] premises, brands or makes of automobile tires, casings and tubes purchased from the Lessor. The Lessee further covenants and agrees with the Lessor that he will at all times during the currency of this lease, actively and continuously deal in and sell on the above-demised premises automobile accessories and automobile storage batteries and

will co-operate with the Lessor in promoting the sale of those brands of automobile accessories and automobile storage batteries which are recommended and approved by the Lessor . . . . "

(Paragraph 3, p. 3, Supertest, Form 188-L)

With respect to advertising the lessee agrees

". . . not to erect or display on the said property, any signs, or other advertising devices, other than those approved by the Lessor in writing."

(Paragraph 20, p. 2, Supertest, Form 188-L)

The relevant paragraphs in the Quebec lease appear as paragraphs 2, 4, and 7 on page 4, Exhibit #2, 1958 Return of Information). Where the Company leases premises and sublets them, the lease subletting the premises contains similar clauses of the lease clauses referred to above (Exhibits # 1 and 12, 1958 Supertest Return of Information).

Provision is made in Supertest's lease for its termination by the Company as follows:

"It is Agreed between the parties hereto that . . . the Lessor shall have the right in its absolute discretion, and without being required to furnish reasons therefor, to terminate this lease at any time upon giving to the Lessee thirty (30) days' notice in writing. . . "

(Paragraph 2, p. 2, Supertest, Form 188-L)

and in addition it is provided:

". . . that . . . if a breach or default shall be made in any of the covenants herein contained, by the Lessee, then . . . it shall be lawful for the said Lessor into . . . the said premises . . . to re-enter and . . . re-possess . . . as if . . . [the lease] had never been executed.

. . .

. . . the Lessor's right of re-entry hereunder in case . . . or forfeiture of the said term for . . . . non-performance of covenants, shall become exercisable immediately upon such default being made."

(Paragraphs 9 and 11, p. 3, Supertest, Form 188-L)

(2) Mortgaged Outlets

(a) Mortgage

In dealing with its mortgaged outlets the Company uses two similar sets of three contracts each, one set for Quebec and the other for Ontario. By these arrangements first, the owner mortgages his premises in favour of the Company; second, the owner leases his premises to the Company; third the Company leases the same premises back to the owner. The mortgage form used by the Company provides that the owner shall

> ". . . purchase exclusively . . . actively and continuously . . . gasoline, kerosene, motor oils and greases and other petroleum products, as well as alcohol and anti-freeze of every kind refined, manufactured or handled by the Mortgagee . . ."
>
> (Paragraph 9, p. 3, Supertest, Mortgage - no form number Exhibit no. 4, 1958 Return of Information. Clause 28 is the relevant clause in the Quebec mortgage, Exhibit no. 7, 1953, Supertest Return of Information. Similar to Exhibit no. 4, 1958 Supertest Return of Information)

The mortgagor can prepay the mortgage except for a certain amount which is not payable before a specified date. (Paragraph 4, p. 3, Supertest, Mortgage, Exhibit no. 4, 1958 Return of Information).

(b) Other Contracts or Agreements

The form of lease which is employed by the Company in re-leasing the premises to the owner-mortgagor contains exclusive dealing provisions similar to those in its regular form of lease. (Paragraphs 2 and 6, p. 3, Supertest Lease, Exhibit no. 6, 1958 Return of Information) The relevant paragraphs in the Quebec lease appear at paragraph 3, p. 4, and paragraph 1, p. 5, Exhibit no. 9, 1958 Supertest Return of Information.

(3) Independent, Brand Outlets

(a) Retail Dealer Agreement

In respect of its independent outlets, the Company makes

use of a Retail Dealer Agreement (Exhibit no. 16, 1953 Supertest Return of Information). This agreement is used when equipment is loaned to independent outlets. In it the dealer is required to

> ". . . use the said equipment for the sole purpose of storing, selling and distributing, actively and continuously, regular trademark brands of petroleum products purchased by him from the . . . Company . . ."
>
> (Clause 2, Supertest, Form 413-B)

The dealer is further required to

> ". . . purchase exclusively from the Company and to deal in and sell exclusively, actively, and continuously, gasolines in full tank truck loads, oils, greases and other petroleum products, denatured alcohol and other anti-freeze products manufactured or handled by the Company . . . and not to receive. . . or permit to be purchased, sold, or disposed of on . . . the premises of the Dealer . . . or any other premises owned, operated or controlled by the Dealer within a radius of five miles, any . . . products other than . . . purchased from the Company without the express permission of the Company in writing."
>
> (Clause 4, Supertest, Form 413-B)

The dealer is also required

> ". . . to keep on hand, at all times . . . a reasonable stock of said products and hereby estimates that . . . [a minimum number of] gallons of gasoline will be purchased from the Company annually, but should the total purchases of the dealer from the Company in any one full year not equal this amount, this Agreement may be terminated and cancelled forthwith and all loaned equipment . . . may be removed at the option of the Company."
>
> (Clause 6, Supertest, Form 413-B)

(b) Other Contracts or Agreements

The Company also makes use of a Retail Dealers' Lubricating Oil Agreement in dealing with its independent outlets (Exhibit no. 17, 1953 Supertest Return of Information). In this agreement the dealer is required

> ". . . to purchase from the Company all lubricating oils, greases and other petroleum lubricants,sold or otherwise

disposed of on or off the dealers premises, . . . and that . . . no such products other than those of the Company shall be sold or otherwise dealt with on or about said premises."

(Clause 1, Supertest, Form 104-N)

The dealer also undertakes that

". . . any and all dispensing equipment, advertisements and signs that may be supplied to him (it) by Company will be used by him (it) for the sole purpose of dispensing and advertising the products of the Company; . . ."

(Clause 3, Supertest, Form 104-N)

(4) Sundry Agreements and Contracts

With its lessee operated outlets, its mortgaged outlets and its independent outlets the Company, if possible, uses a Dealers Tire Sales Agreement (Exhibit no. 3, 1958, Supertest Return of Information). By this agreement the dealer accepts a franchise to

". . . purchase and resell Dominion Rubber Company Limited . . . and/or Dunlop Tire and Rubber Goods Company Limited . . Tires and Tubes and any other Dominion and/or Dunlop rubber products as may be stipulated in . . . [Contract]"

(Clause 1, Supertest, Form 414 A)

The dealer further agrees to

". . . buy from the . . . [Company] and maintain an adequate stock of Dominion and/or Dunlop Tires and Tubes and to vigorously merchandise them."

(Clause 2, Supertest, Form 414 A)

It is also stipulated that

"The Dealer shall identify himself as a Supertest dealer, merchandising Dominion and/or Dunlop products, and for that purpose shall accept and erect on or in his business premises signs and/or advertising displays available from the . . . [Company]"

(Clause 10, Supertest, Form 414 A)

Texaco Canada

Texaco Canada is a fully integrated oil company engaged directly, as well as through subsidiaries and related companies, in all phases of the petroleum industry. It distributes automotive petroleum products and anti-freeze to retail petroleum outlets. The contract forms referred to below are drawn in the name of McColl-Frontenac Oil Company Limited, the former name of Texaco Canada.

(1) Leased Outlets

(a) Lease

In respect of its lessee operated outlets, two forms of lease are employed by the Company. The "Service Station Lease-Lessee-Dealer" does not contain in itself any exclusive dealing provisions. However this contract provides that the lessee

> ". . . shall not install or permit to be installed on the premises or in or on the buildings situated on the premises herein leased, during the term of this lease or any renewal thereof, any signs or placards, without first having secured the written approval of the Lessor . . . ."

(Clause 9, Texaco Canada, Form G-77-C (11-57))

The second form entitled Service Station Lease-Lessee-Dealer (Long Term) contains the same provision with respect to advertising (Clause 11, Texaco Canada, Form G-77C (LTL) (Aug, 54)). In addition this contract has a clause by which the lessee undertakes to

> ". . . purchase or cause to be purchased exclusively from the Lessor all petroleum products, and anti-freezes as are sold by the Lessor which the Lessee shall require for use or sale on or from the demised premises to the extent that the Lessor shall be ready to supply the same . . .; and that the Lessee will not, during the said term either directly or indirectly use, buy, receive, sell, dispose of, or otherwise deal in or permit to be used, bought, received, sold, disposed of, or otherwise dealt in any petroleum products and anti-freezes in, on, or out of, or about the said premises other than those purchased from the Lessor, except as and to the extent that the Lessor shall consent thereto in writing. . . ."

(Clause 6, Texaco Canada, Form G-77C (LTL) Aug, 54))

Provision for termination of the short term lease is made as follows:

> ". . . the Lessor and the Lessee mutually covenant and

agree . . . that the said term . . . may be terminated at any time . . . twenty-four (24) hours' written notice of termination; . . ."

(Paragraph 2, p. 2, Texaco Canada, Form G-77-C (11-57))

". . . if there be default, breach or non-observance by the Lessee at any time in respect of any covenant, proviso, condition or reservation herein contained which on the part of the Lessee ought to be observed or performed, then the Lessor . . . may re-enter the said premises and . . . possess them. . . as if this lease had not been made; and such right of re-entry shall become exercisable immediately upon such default or breach . . ."

(Clause 14, Texaco Canada, Form G-77-C (11-57))

A provision for termination because of a lessee's default or breach of contract clauses appears in the long term lease and is the same as that cited from the short term lease.

(b) Other Contracts or Agreements

In its 1953 return the Company indicated that a Dealer Sales Agreement is also used with lessee operated outlets. The Company's Dealer Sales Agreement provides that the dealer shall advertise, purchase, trade and deal in, the products of the Company exclusively (Clause 6, Texaco Canada, Form S-207 D-(7.56)). In the event of a dealer's non-compliance with the provision a penalty is stipulated. The dealer further agrees not to

". . . sell products purchased from others under the trade-mark or trade name of . . . [the Company], unless . . . [the Company] shall, after analysis thereof, give special consent in writing; . . ."

(Paragraph 20, p. 4, Texaco Canada, Form S-207 D-(7.56))

These contracts with the Company's lessees do not contain any exclusive dealing provision with respect to T. B. A. products. However in its return the Company refers to verbal agreements with certain lessees to this effect, in the following terms:

"With respect to Company-owned outlets and/or third party leased Service Stations operated by lessees, those lessee dealers who verbally agree with the Company to enter into arrangements with certain of the suppliers . . . [indicated by the Company] are, if necessary, reminded of their verbal arrangements; . . ."

(Paragraph 3, p. 10, Texaco Canada, Return of Information 1958)

2) Mortgaged Outlets

With its mortgaged outlets, the Company employs a Standard Trading Agreement which is executed by the dealer in conjunction with the mortgage and requires the dealer for a fixed period or until repayment of all monies owing under the mortgage, whichever period is the longer, to

> ". . . purchase from the . . . [Company] exclusively and continuously, all gasoline, oils, greases and anti-freezes and will purchase exclusively such tires, tubes and batteries as are designated by the . . . [Company] for sale or use on and in conjunction with the . . . [mortgaged] premises . . . and will not during the said period purchase any gasoline, oils, greases, and anti-freezes, tires, tubes and batteries for sale or use . . . from any person, firm or corporation other than . . . [the Company] except with the authorization in writing of the . . . [Company]"

(Clause 2, Texaco Canada, (5-55))

The mortgagor agrees also that

> ". . . he will, during the said period of time, display no other signs or advertisements of gasoline, oils, greases and anti-freezes, tires, tubes and batteries than those furnished by . . . [Company] or its nominee without its approval, . . ."

(Clause 4, Texaco Canada (5-55))

(3) Independent, Brand Outlets

With independent outlets the Company uses a Dealer Sales Agreement form. This contract has already been studied in paragraph 1 (b).

(4) Sundry Agreements and Contracts

(a) Equipment Loan Agreement

In the Company's Equipment Loan Agreement, the dealers agree to

> ". . . purchase exclusively from the Company during the period of loan, all his requirements of . . . [products specified in the Contract]"

(Clause 3, Texaco Canada, Forms S-101 (9-55))

It also provides that

> "The Company's products solely shall be dispensed through the Company's equipment and no similar equipment belonging to other companies shall be installed on the premises during the term of this agreement without the consent of the Company first obtained in writing."

(Clause 4, Texaco Canada, Form S-101 (9-55))

(b) Conditional Sale Agreement

The Company's Conditional Sale Agreement contains the same provision as the Equipment Loan Agreement with respect to the use of the equipment sold (Clause 11, Texaco Canada, Form S-344).

(c) Dealer Lubricant Agreement

The Dealer Lubricant Agreement, like the Dealer Sale Agreement, stipulates that the dealer shall not sell under the trademark or trade name of the Company other products than those purchased from the Company unless the Company's consent is obtained in writing (Paragraph 18, p. 4, Texaco Canada Form S-326).

United Farmers

United Farmers is a company engaged in the distribution of petroleum products and T.B.A. products, mainly to farm customers.

(1) Leased Outlets

Almost all retailing operations are conducted from the Company's combination plants where the dealer is also the Company's agent. The premises are owned or leased by the Company, and the agent is paid on a commission basis. No lease or Retail Dealer's Agreement is used to cover this type of dealer operation.

The agents are not bound to purchase all of their requirements of petroleum products and T.B.A. products from the Company or its nominee; but since all retailing is conducted from combination plants where the dealer is the Company's agent, it is, as the Company says in its 1958 Return of Information ,

> ". . . advisable from the point of view of their [agents] own interests to retail the products of the company they represent as agents. We do not find it necessary to otherwise encourage

compliance with company policy."

(Item 12, United Farmers Return of Information)

2) Mortgaged Outlets

(a) Mortgage

It appears that only on rare occasions will the Company service or finance independent dealers. In these cases the Company uses a standard form of mortgage, and the mortgagor is bound to sell Company's products until the debt has been paid. (Item 11, United Farmers Return of Information)

Vigor

Vigor is engaged in the distribution of gasoline, motor and fuel oil, greases, diesel fuel, ethelyne glycol, naphtha and tires. It distributes its products through a number of outlets and directly to farmers.

No formal agreement seems to be used by Vigor Oil, except in the case of farmers. The Company however points out in its return that its lessees are "morally" bound to sell Company's products, but are not required to handle any T. B. A. products.

A Farmers Equipment Loan Agreement was provided with the return. It contains a provision by which the farmer is bound to handle through the equipment loaned, only the Company's products.

Wainwright

Wainwright is engaged directly as well as through its subsidiary Stewart-Davis Oils Limited, in the following phases of the petroleum industry: exploration, production, refining and marketing.

(1) Leased Outlets

With its lessee operated outlets, Wainwright employs a lease contract in which the lessee undertakes not to

". . . conduct his business in a manner which is prejudicial, in the Lessor's opinion, to the good name and interest of the lessor, or of other dealers in the Lessor's products."

(Clause, 2, Wainwright, Exhibit C, 1958 Return of Information)

The lessee further agrees that

> ". . . He will at all times during the continuance of this lease, purchase exclusively from the Lessor and/or its subsidiary company, Stewart-Davis Oils Ltd., and, maintain in stock, for sale, those petroleum and anti-freeze products manufactured, sold or dealt in by the Lessor or Stewart-Davis Oils Ltd., and will not purchase, have in stock or deal in any petroleum or anti-freeze product which competes with or can be used for the same purpose as any petroleum or anti-freeze [of the lessor or Stewart-Davis Oils Ltd.] . . ."

(Clause 3, Wainwright, Exhibit C, 1958 Return of Information)

Upon notice from Wainwright or Stewart-Davis that they are manufacturing, selling or dealing in other products than petroleum products, the lessee must purchase exclusively from these companies any such products offered by the companies, and he must not handle other products competing with such products. (Clause 3, Exhibit C)

By virtue of this contract Wainwright keeps control of all advertising to be done on the leased premises. (Clause 19, Exhibit C)

Termination of the lease by the Lessor is provided for as follows:

> ". . . in case the Lessee shall make default in the observance or performance of any of the covenants, agreements or conditions herein contained on the part of the Lessee to be observed and performed . . . the Lessor . . . may, without notice to the Lessee and without process of law, enter into possession of . . . the demised premises . . ."

(Clause 15, Wainwright, Exhibit C, 1958 Return of Information)

And further

> ". . . the Lessor expressly reserves the right to terminate this lease upon giving the Lessee at any time one day's notice in writing of its intention so to do . . ."

(Clause 21, Wainwright, Exhibit C, 1958 Return of Information)

(2) Mortgaged Outlets

(a) Mortgage

In dealing with its mortgaged outlets, Wainwright uses a mortgage in which exclusive dealing provisions are stipulated for a specified period (Exhibit D, 1958 Return of Information).

In the contract on file, this period is of twenty-five years). These xclusive dealing provisions include only gasoline and diesel fuel Clause 16, Wainwright, Exhibit D, 1958 Return of Information)

(b) Other Contracts or Agreements

The mortgagor agrees by the Mortgage Contract, to execute Wainwright's Dealer Agreement which extends the exclusive dealing provisions to all petroleum products and anti-freeze products Clause 12, Wainwright, Exhibit F, 1958 Return of Information).

3) Independent, Brand Outlets

With independent outlets, Wainwright uses a Dealer's Agreement Contract by which the dealer agrees

> ". . . to purchase from Wainwright his entire requirements of gasolines, motor oils and greases and other petroleum products and anti-freeze compounds required by him for resale through his retail business or bulk business on the above premises."

(Clause 12, Wainwright, Exhibit F, 1958 Return of Information)

(4) Sundry Agreements and Contracts

In the event of any equipment being loaned to an outlet, the Company employs an Equipment Loan Agreement. This contract provides that the borrower will use the loaned equipment solely to advertise and dispense the products sold by Wainwright (Clause 1, Wainright, Form 34)

Western

Western is engaged primarily in the manufacture of gasolines and greases. It distributes petroleum products and anti-freeze to retail petroleum outlets.

(1) Leased and Mortgaged Outlets

Western has only one lessee operated outlet and one mortgaged outlet. There are no indications in the company's return as to the contractual status of these outlets.

(2) Independent, Brand Outlets

With its independent outlets the Company employs a Purchase-Lease Agreement. Under this agreement the Company leases certain equipment to the operator who is also given the option to purchase.

The operator undertakes to

> ". . . use and maintain . . . [the Equipment] exclusively for the sale of the Owner's products . . ."
>
> (Clause 2, Western, Purchase-Lease Agreement, 1956 Return of Information)

(3) Sundry Agreements and Contracts

Western does not have any agreement with suppliers of T.B.A. products. For this reason its outlets are apparently entirely free to purchase their T.B.A. requirements from any supplier.

APPENDIX VI

References Consulted and Bibliography

The following list includes references consulted in the course of this inquiry and a bibliography of material which is regarded as useful background for studying the problems raised by the policies and practices which were the subject matter of this investigation. The items are numbered and these numbers have been used in the body of the Statement when citing a particular work listed in this Appendix.

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APPENDIX VII

Definitions of Classes of Retail Outlets Used by The Dominion Bureau of Statistics

In Volume VII of its report of the Census of Canada, 1951, he Dominion Bureau of Statistics has provided data for retail trade n Canada, according to a particular classification of retail outlets. ertain classes of outlets were referred to in the body of this Stateent. The description of these classes as given by the Bureau are rovided below, sometimes somewhat abridged. These definitions ay be found in full in Appendix A to Volume VII, Ninth Census of anada, 1951; Distribution, Retail Trade, and in Appendix F to olume VIII; Distribution, Wholesale Trade, Services.

1. Department Stores:- Retail est blishments carrying a general line of apparel, such as suits, coats, dresses, and furnishings; piece goods; house furnishings, such as furniture, floor coverings, curtains, draperies, linens, and major household appliances, and housewares, such as table and and kitchen appliances, dishes, and utensils. These and other merchandise lines are normally arranged in separate sections or departments with the accounting on a departmentalized basis. The departments and functions are integrated under a single management.

2. General Stores (More than one-third foods):- Establishments usually located in rural communities and engaged in selling dry goods or apparel with groceries amounting to one-third to two-thirds of total sales. In addition, such establishments must show sales for at least one of the following subsidiary lines; hard goods (hardware, farm implements, building materials, housewares, household appliances, furniture, etc.) feed, fertilizer, gasoline and lubricants.

3. Automotive Group: This group is made up of establishments mainly engaged in the retail sale of motor vehicles and/or automotive parts, accessories, gasoline and oil. Establishments carrying out service and repairs in combination, up to 50 per cent of the total trade, are also included in this classification. If the service and repairs are over 50 per cent of the total trade, the establishments are classified in the service field.

   (a) Automobile Dealers:- Retail establishments selling mainly new or both new and used motor vehicles, provided that new car sales amount to 20 per cent or over of the total

sales, irrespective of number sold, where no wholesale car department is maintained and where farm implements are not handled.

Establishments selling motor vehicles as a subsidiary activity in conjunction with another line of business beside the automotive group are not included in this classification. [They are classified under the principal line of business].

Many motor vehicle dealers maintain repair shops and sell accessories and parts. In the case of smaller businesses receipts from these activities may even exceed the sale of motor vehicles. This fact does not disqualify an establishment from being assigned to this class.

(b) Automobile Dealers with Wholesale Car Departments:- Retail establishments the same as above, but including wholesale car departments through which certain makes of cars are distributed to dealers in adjacent territories. The wholesale business must include at least five motor vehicles and/or parts and accessories, but when only parts and accessories form the wholesale business, this classification is not used.

In the automotive group, only when a firm sells motor vehicles exclusively at wholesale, is it assigned to the whole sale field. All establishments who sell any motor vehicles at retail are assigned to the retail section.

(c) Automobile Dealers with Farm Implements:- Retail establishments selling mainly motor vehicles in combination with farm implements including tractors. The sale of tractors only in addition to motor vehicles is sufficient to justify the use of this class. Dealers having wholesale car departments and also selling farm implements are assigned to the preceding classification.

(d) Used Car Dealers:- Retail establishments selling mainly used motor vehicles, and which are independent enterprises having no proprietary connection with a new car agency.

(e) Accessories, Tire and Battery Shops:- Retail establishments selling mainly a combination of automotive accessories, tires, batteries, radios and automotive parts and occasionally gas and oil. The sale of gas and oil should not be more than 33 per cent of the total trade. Such establishments may also include service and repairs but receipts from these should not constitute more than 25 per cent of

the total trade.

(f) Garages:- Retail establishments engaged in making repairs or performing other services in addition to the sale of gas, oil, accessories and parts, and also fulfilling one of the two following requirements:

(i) Receipts from repair work and other services constitute between 25 per cent and 50 per cent of the total trade.

(ii) Receipts from repair work and other services constitute less than 25 per cent of the total trade, but the sale of parts and accessories, and the sale of gas and oil each constitutes separately more than 33 per cent of the total trade.

A garage in which receipts from repairs and other services constitute more than 50 per cent of the total business is classified as a Service establishment.

(g) Filling Stations:- Retail establishments selling mainly gas, oil, parts and accessories, tires and tubes, and also performing service and repairs. The sale of gas and oil must, however, constitute at least 67 per cent of the total trade.

4. Hardware Stores:- Retail establishments selling mainly typical hardware lines such as builders' hardware or shelf hardware, carpenters' and mechanics' tools, etc. Other items usually include paints and varnishes in appreciable quantities and household appliances, electrical appliances, farm tools, kitchenware, radios and sporting goods.

These hardware stores may also carry on certain service operations, but these should not exceed 50 per cent of the total trade.

5. Farm Implement Dealers:- Retail establishments selling mainly farm implements and machinery. These dealers are usually agents for their principals and sell on a commission basis. Parts and supplies are generally bought and sold on own account.

6 Farmers' Supply Stores:- Retail establishments selling mainly farmers' supplies such as flour and feed, implements, coal, cement, lime, hardware, gas and oil, and dairy equipment and supplies.

7. Automobile Service Garages:- Establishments engaged in providing a general line of automotive repairs and services. If an establishment is designated as a garage but has more than 50 per cent of its business in sales of merchandise it should be classified in retail trade.

Repair and service establishments owned by automobile dealers are not separately classified but are included with the main business in retail trade. Gasoline service stations are also included in retail trade, unless repairs con-constitute more than one-third of the total business. Where both garage and filling station are mentioned, if repairs are less than one-third of total business, it is classified as a filling station, if repairs and services are between one-third and one-half of total business, it is classified as a retail garage, if services exceed 50 per cent, it is classified as a service garage.

8. Battery, Ignition and Electrical Repair Shops:- Establishments specializing in repairing, recharging or renting batteries or in repairing automotive ignition systems.

9. Body Repairs and Paint Shops:- Establishments primarily engaged in repairs to auto bodies, fenders, radiators, tops, etc., or in painting and refinishing automobiles.

10. Parking Lots (outdoors):- Establishments maintained for temporary open-air parking of automobiles, usually on a daily or hourly rate basis.

11. Storage Garages:- Establishments primarily engaged in providing indoor parking or "live" storage of automobiles.

12. Tire and Brake Shops:- Establishments specializing in tire repairs, vulcanizing, retreading for individuals, etc., or brake repairing, adjustment, relining, etc.

13. Washing and Polishing Establishments:- Those engaged in washing and polishing cars with or without parking facilities.

14. Other Automotive Service Shops:- Establishments specializing in a type of repair or service for which no separate category is provided. Included are firms specializing in lubricating service.

APPENDIX VIII

Form of Questionnaire used by the Ontario Retail Gasoline & Automotive Service Association in a Survey of Service Station Dealers

In the spring of 1958, the Ontario Retail Gasoline & Automotive Service Association, Toronto, an association of service station dealers, conducted a survey of service station dealers across Ontario. This survey dealt with many matters outside the scope of this inquiry. However, the last paragraph of the form allowed dealers to comment on the practices which have been investigated in this inquiry. Because of this, some of the returns filed with the Director by the Association were of interest and were discussed in the body of the Statement. Relevant parts of the form used by the Association are reproduced below.

"CONFIDENTIAL COMPLAINT FORM

(To be filled in and returned to the Ontario Retail Gasoline & Automotive Service Association, 456 Spadina Avenue, Toronto 2B, Ontario. The Association guarantees NOT to reveal this information to anyone but the Department of Justice).

. . .

My Name is: ____________________ My Supplier is: ____________

My business location is at: ________________________________

In the City or Town of: ______________ My Phone No: __________

. . .

And during the time I have been operating this station I have/ have not been ordered by Company Representatives to REMOVE and NOT TO HANDLE certain specific products of other manufacturers or suppliers. The products and circumstances involved are given below:

____

I certify the statement contained herein are [sic] / TRUE to the best of my knowledge and belief:

DATE: ______________ SIGNATURE: ______________________"

APPENDIX IX

Analysis, by Provinces, of Returns from Wholesalers' Questionnaire

This Appendix includes the detailed analysis, by provinces, of the returns from the questionnaire sent to automotive wholesalers. This analysis was used as the basis for Section F, Chapter V, in which a summary was presented.

A. The Atlantic Provinces: Nova Scotia, New Brunswick, Newfoundland and Prince Edward Island

Questionnaires were sent to 43 wholesalers in the four Atlantic provinces and 19 useful returns were received. Twelve were detailed in their replies to the questionnaire and seven were general. Replies from three companies indicated that two of them were no longer operating and that one had gone into other fields. No information was received from the remaining 24 companies.

Statistical data for sales were received from twelve wholesalers indicating total values of $6, 836, 000 and $7, 037, 000 in 1955 and 1956 respectively. In each year one large company accounted for a substantial proportion of the total. Wholesale sales comprised 97 per cent of all sales of the reporting companies in both years. Retailing, in conjunction with wholesale activities, was conducted by almost half of the wholesalers. Five companies reported carrying on branch activities. The large wholesaler referred to above had five branches; the activities of the others were not as extensive. Of the twelve reporting wholesalers, eight had sales under $500, 000 annually; three were between $500, 000 and $750, 000; and one reported sales exceeding $2, 000, 000.

The wholesalers appear to have had varying experience as to the direction their businesses took in 1956. Four, including the largest, indicated a decline in sales from the previous year, the greatest decline being 4.3 per cent. The other eight reported improved sales, with increases ranging from 7.3 to 58.2 per cent.

From data on sales by commodities provided by 11 companies, the following has been compiled:

Commodity	Number Selling in 1956 (1)	Range in Percentages of Total Sales in 1956 (1) Min.	Max.
Lubricating Oils	2	7.0	10.0
Greases	2	1.0	5.0
Anti-freeze	7	0.5	15.0
Additives	9	0.1	28.0
Tires and Tubes	4	5.0	54.1
Batteries	10	1.0	15.0
Accessories	11	2.5	75.3
Parts	10	15.0	60.0
Other Products	6	10.0	28.0

(1) Based on 11 reporting companies.

A wide range of products is included in the last category. However, most commonly, it includes garage and service station equipment, paints, tools and labour charges associated with many such commodities and services to the trade.

Except for lubricating oils and greases, the percentage of total sales which sales of any one of these commodities constituted for various wholesalers varied quite widely. The minimum percentages reported were quite low for all commodities except parts. There was considerable variation in the maximum percentages.

Service station operators were among the customers of all the reporting companies. Other customers included automobile dealers, independent garages, body repair shops, trucking fleets, and commercial and industrial accounts. No company reported that it had withdrawn from soliciting business from service station operators by reason of the agreements under study, although a majority reported difficulties in selling to such operators, either because of agreements between the oil companies and certain wholesalers, or because the oil companies dealt in their own or certain manufacturers' lines.

From the replies of the 11 wholesalers reporting sales by commodities the following information on sales to service station dealers was compiled:

Commodity	Number Selling in 1956 (1)	Sold to Service Stations (1)	
		Yes	No
Lubricating Oils	2	2	-
Greases	2	2	-
Anti-freeze	7	6	1
Additives	9	8	1
Tires and Tubes	4	4	-
Batteries	10	10	-
Accessories	11	11	-
Parts	10	10	-
Other Products	6	6	-

(1) Based on 11 reported companies.

The above data indicate that there is no commodity which, if handled by the wholesaler, might not be sold to service station dealers. Anti-freeze and certain chemical additives are carried by a number of oil companies under their own brand names which may be the reason some wholesalers do not sell them to service station dealers.

The percentage for each wholesaler which sales to service station operators constituted of his total sales of a commodity, varied considerably among the wholesalers as indicated in the following compilation:

Commodity	Number Selling to Service Stations in 1956 (1)	Range in Percentages of Commodity Sales (1)	
		Min.	Max.
Lubricating Oils	2	5.0	20.0
Greases	2	5.0	5.0
Anti-freeze	6	10.0	50.0
Additives	8	30.0	75.0
Tires and Tubes	4	3.5	60.0
Batteries	10	3.0	62.5
Accessories	11	2.0	75.0
Parts	10	0.5	32.0
Other Products	6	10.0	50.0

(1) Based on 11 reporting companies.

To this it may be added that, for nine of the companies reporting sales to service station dealers, sales of all products to service stations ranged between 5 and 90 per cent of total sales. These data

include information from one wholesaler who did not report sales for each commodity class.

Except for lubricating oils and greases and parts, sales to service station dealers could account for the major percentage of the sales of any of the commodities. Sales of parts could be substantial. When these data are considered together with the relative importance of the different commodities in a wholesaler's business, it appears that service station operators are of considerable importance as a source of sales of tires and tubes, and accessories, and somewhat less important for sales of parts and additives.

From the information available relating sales to service station dealers to the size of the wholesaler's business, it appears that for companies with annual sales below $100, 000, service station dealers may account for a substantial proportion of the business. For the larger companies (except the very largest) service station dealers would be an important though not substantial market.

Of the 19 companies providing information, only one reported having market access agreements with oil companies.* The company reporting agreements is the largest noted above. This wholesaler had agreements in 1955 and 1956 with Canadian Oil and B.A., and in 1956 with Canadian Petrofina. The agreements with B.A. were terminated in 1957. The territory covered included Nova Scotia, New Brunswick and Prince Edward Island. Sales under agreements in 1956 showed an increase of more than 260 per cent over the 1955 value. They represented 1.9 per cent of total sales of 12 reporting companies in 1956 as against an estimated 0.5 per cent the previous year. It is not known for what percentage of service station sales they accounted. The agreements with the oil companies called for commissions at the rate of 6 per cent of sales.

Two companies reported being offered the opportunity to enter market access agreements with an oil company on payment of an overriding commission but turned down the offers.

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* It is reported that a second, which was formerly controlled by an oil company, had a market access agreement with that oil company.

B. Quebec:

Questionnaires were sent to 108 wholesalers in the Province of Quebec and a total of 37 useful returns were received. Quite detailed replies came from 22 companies and more general answers from 15. Four of these 15 companies were not selling automotive or related products. Nothing at all was heard from 59 companies and the remainder were either returned by the Post Office or not completed after the initial acknowledgement. In addition, information in detail was received on the operations of two of the Quebec subsidiaries of one reporting company.

Statistical data for total sales were received from 18 companies indicating values of $62,114,000 in 1955 and $70,342,000 in 1956. In each year one large company dealing in a wide range of products accounted for just over half of the totals. Around 90 per cent of this company's sales were of non-automotive products. This would indicate that figures of $33,950,000 and $38,131,000 would more closely approximate the sales of automotive and generally related products in each year for the 18 companies. Wholesale sales accounted for $33,065,000 in 1955 and $37,020,000 in 1956 or over 97 per cent in both years. Retail selling was conducted in conjunction with wholesale operations by 13 of the 22 reporting companies. Five companies reported having branch operations and four had subsidiary companies, some of which in turn operated branches. One of the five companies reported operating 16 branches across Canada, one operated 10 branches and 32 subsidiary companies in Quebec and Ontario and another controlled 14 subsidiaries in Quebec. In these instances, most of the subsidiary companies carried on branch activities. The sizes of the reporting companies ranged from two with sales of less than $100,000 each in 1956, to two with sales exceeding $10,000,000 each and one with sales exceeding $30,000,000. Eight had sales between $500 000 and $1,500,000 in the same year.

As indicated above, retail sales have not usually accounted for more than a small percentage of total sales. However, one company's retail sales in 1956 were over 31 per cent of its total business. In no instance was a decline in retail sales from the previous year reported in 1956 and increases as high as 40.5 per cent were recorded.

None of the reporting companies indicated a decrease in wholesale sales in 1956 from 1955, and increases as high as 43 per cent were reported. Eleven reported increases between 10 and 20 per cent.

From the 20 companies reporting on sales by types of commodity, the following data were obtained:

Commodity	Number Selling (1) 1956	Range in Percentages of Total Sales in 1956 (1) Min.	Max.
Lubricating Oils	7	0.02	21.1
Greases	11	0.02	5.3
Anti-freeze	17	0.5	5.0
Additives	16	0.02	10.0
Tires and Tubes	9	0.1	42.1
Batteries	20	0.3	22.0
Accessories	20	0.2	59.7
Parts	19	(2)	86.8
Other Products	15	1.0	65.8

(1) Based on 20 reporting companies.
(2) Less than 0.01 per cent.

A wide range of products is included in the last category, as mentioned in the analysis of the Atlantic Provinces wholesalers' returns. The percentages of total sales accounted for by sales of any one of these classes of commodity varied quite widely among companies. The minimum percentages reported were all very small.

Service station operators were among the customers of 28 of the 33 companies which reported dealing in automotive and related products. Other customers included independent garages, body repair shops, car dealers, trucking fleet operators and industrial accounts. Two companies reported having ceased soliciting business from service station operators because of the effects of the arrangements between the oil companies and automotive suppliers which are here being studied.

From the replies of the 20 companies reporting on sales by types of commodity, it was possible to ascertain the following information about whether or not they sold such commodities to service station operators.

Commodity	Number Selling in 1956 (1)	Sold to Service Stations Yes	No	Unknown
Lubricating Oils	7	3	4	-
Greases	11	6	5	-
Anti-freeze	17	13	3	1
Additives	16	14	1	1
Tires and Tubes	9	6	2	1
Batteries	20	18	1	1
Accessories	20	17	2	1
Parts	19	16	2	1
Other Products	15	13	1	1

(1) Based on 20 reporting companies.

Lubricating oils, greases, and tires and tubes which were sold least often to service station dealers were dealt in by the lowest number of wholesalers. Service station dealers were among most wholesalers' customers for batteries, accessories and parts, the products carried by the largest number of wholesalers.

The information available on the proportion of wholesale business in each commodity accounted for by sales to service station operators is given below.

Commodity	Number Selling to Service Stations (1) 1956	Range in Percentages in Commodity Sales (1) in 1956 Min.	Max.
Lubricating Oils	3	not available	
Greases	6	60 (2)	60 (2)
Anti-freeze	13	1.0	100
Additives	14	1.0	90
Tires and Tubes	6	4.8	45
Batteries	18	0.25	85
Accessories	17	2.0	60
Parts	16	1.4	50
Other Products	13	3.0	5

(1) Based on 20 reporting companies.
(2) Specific data for greases available for only one company.

To this information it should be added that the proportion of total sales of all commodities which sales to service station operators comprised, ranged from 1.8 to 61 per cent for 18 of the 20 reporting companies.

Except for greases, it appears that there are wide variations in the percentages of total sales of each commodity which are made up of sales to service station operators. It is perhaps significant to note that greases, anti-freeze, additives and batteries were the commodities with the highest maximum percentages of sales to such customers but that they were among the commodities reported as never constituting more than a low percentage of any wholesaler's total sales. Thus even at best, in these commodities the service stations can provide only a moderate volume of business. Sales to service station dealers may account for a substantial to major proportion of sales for practically all remaining commodities, "other products" excepted. The data available do not appear adequate to draw any significant conclusions as to the importance which the size of the reporting companies may have on the proportion of sales of any particular commodity made to service station operators. As to

the proportion of the total sales of companies of various sizes made to such operators, it appears that in all companies with sales in 1956 below $2, 000, 000 annually, the proportion may vary from very low to moderately high percentages of the order of 40 to 60 per cent. However, in companies with sales of $2, 000, 000 or over, the percentage of sales to service station operators was never reported as more than minor to significant.

Among the 22 companies reporting in detail, and the 11 sending in general information, only three reported having market access agreements in 1955 and 1956 with any of the principal distributors or with any manufacturer supplying batteries to the trade. One reported entering such an agreement in 1958. A cross-check of distributor returns of information indicated that three other wholesalers, for whom little information is available, had such agreements in 1955 and 1956. An indication of the significance of market access agreements in the businesses of the wholesalers concerned may be drawn from the following information.

One wholesaler participated in a verbal agreement with The Electric Storage Battery Company (Canada) Limited and its predecessor companies, and with Shell, Canadian Petrofina and Texaco Canada, whereby the wholesaler was to be reimbursed by the battery manufacturer for a 10 per cent commission paid to the oil companies on sales of storage batteries to their service station operators. Sales in 1955 and 1956 of batteries under these agreements accounted for all this wholesaler's sales of batteries to service stations and 35 per cent of all his storage battery sales. Moreover, these sales under agreement amounted to 3. 8 and 4. 1 per cent of his total sales in 1955 and 1956 respectively and over 66 and 70 per cent of his total sales to service station operators in the same years. This agreement covers storage batteries only, and the wholesaler reported difficulty in selling automotive service parts to Shell dealers allegedly because of an agreement existing between Shell and another wholesaler. In addition, sales of anti-freeze to Shell, Texaco Canada, B. A. and Imperial were not possible because the dealers handled their oil companies' own brands. The wholesaler reported selling automotive parts to Texaco Canada and Canadian Petrofina dealers, and it may be presumed the contacts provided by the battery sales were of importance here, in view of the fact that Texaco Canada and Canadian Petrofina have agreements with other wholesalers covering automotive accessories.

A similar agreement relating to storage battery sales to Shell, Texaco Canada and B.A. dealers, is held with The Electric Storage Battery Company (Canada) Limited by another large wholesaler along with agreements with a number of oil companies, relating to sales of accessories. No data are available to indicate the

importance of these storage battery agreements to this company. The agreements relating to sales of accessories were held with B.A., Supertest, Canadian Oil, Shell, and the Lake St. John Distributing Company (which apparently in turn sold to the dealers of six of the major oil companies, and which has been acquired by British Petroleum) in 1955 and 1956, and with Canadian Petrofina in 1956. Sales of accessories under these agreements were considerable, as this wholesaler has extensive facilities, and accounted for over 38 and 57 per cent of his accessories sales in 1955 and 1956 respectively, and about 76 and 100 per cent of his accessories sales to service station operators in the same years. Similarly, these agreement sales of accessories made up to 8.4 and 9.8 per cent of his total sales in 1955 and 1956 respectively, and over 46 and 60 per cent of his total sales to service station dealers in the same years. When storage battery sales under agreements are considered in addition to these accessories sales, it is apparent that sales under such agreements made up an important part of this wholesaler's service station sales. Commission payments on the storage battery sales under agreements were 10 per cent of sales. Commissions paid to the oil companies on accessories sales varied. With B.A., Canadian Petrofina, and Shell, the commission was 6 per cent on sales to lessee dealers. This was also the arrangement with Canadian Oil and Supertest and in addition, with these companies, the wholesaler agreed to pay a 3 per cent commission on sales to "otherwise captive outlets" - presumably financially or otherwise assisted independent dealers for these companies. In total, commissions paid on accessories sales under agreements amounted to about 5 per cent of such sales in each year reported. Presumably, the 10 per cent commission on storage batteries paid by the wholesaler was refunded by the manufacturer in line with the usual agreement arrangements. It may be noted that this wholesaler reported difficulties in selling automotive products to Imperial and Sunoco dealers because they carried oil company branded goods; with Texaco Canada because of agreements with other wholesalers; and with B.A., on certain manufacturers' brands.

The third wholesaler, reporting a market access agreement with an oil company in 1955, cancelled the agreement after two years operation. Insufficient data were provided to determine the significance of the agreement to the wholesaler and no reason for cancellation was given. The oil company concerned, Canadian Oil, made the agreement on the basis of payment of a commission of 5.5 per cent on sales to Canadian Oil service station operators. This compares with the agreement of the previously mentioned wholesaler where the commission was 6 per cent to lessees and 3 per cent to other Canadian Oil captive outlets.

The total value of sales reported under market access agreements are estimated to have amounted to $846,500 and

$1, 116, 700 or 2.5 per cent and 2.9 per cent of the total wholesale sales of automotive products reported by the 18 companies in 1955 and 1956 respectively. The agreement sales would account for a smaller percentage of the total wholesale sales of such products in the Province of Quebec in the same years.

C. Ontario:

Questionnaires were sent to 275 wholesalers in Ontario and 97 useful replies were received of which 71 gave considerable detailed information one of which arrived too late for the data to be included in this report. No information was received from 161 companies and the Post Office returned 17 questionnaires. Of the 97 companies replying, seven reported they were not in the automotive products wholesale trade and one of these indicated that it left this field some time after 1956.

Statistical data on total sales were received from 62 of the 70 companies reporting in detail indicating sales valued at $36, 250, 000 in 1955 and $36, 904, 000 in 1956. Wholesale sales comprised over 98 per cent of total sales in both years. One wholesaler, Atlas Supply Company of Canada Limited, which sells to Imperial, accounted for a significant to substantial proportion of all wholesale sales in 1955 and 1956. Retailing, usually in conjunction with wholesale activities, was carried on by 29 of the 89 wholesalers reporting as being in the automotive products wholesale trade. In one instance, a small wholesaler indicated that his retail sales in fact exceeded the value of his wholesale business. Fifteen companies reported operating branches, one quite extensively with twelve branches. Four companies controlled subsidiaries; in two instances, subsidiaries were engaged in other trades.

Fifteen companies indicated a decline in wholesale sales in 1956 from the previous year and 45 an increase; three reported no change. Decreases in sales ranged between 0.6 per cent and 24 per cent. Increases in sales ranged between 1.6 and 91 per cent. In both instances, the extreme ranges occurred with small companies with sales below $100, 000 annually. In retail trading, two companies indicated sharp decreases in sales in 1956 while 22 reported increases; no change was noted by two wholesalers.

From the 70 companies reporting on sales by commodities, the following data have been compiled:

Commodity	Number Selling in 1956 (1)	Range in Percentages of Total Sales in 1956 (1) Min.	Max.
Lubricating Oils	31	1.0	17.9
Greases	27	0.25	5.0
Anti-freeze	50	0.2	7.0
Additives	53	0.1	10.0
Tires and Tubes	15	0.1	74.7
Batteries	59	0.4	22.0
Accessories	63	2.6	100.0
Parts	56	1.6	72.0
Other Products	40	2.0	83.2

(1) Based on 70 reporting companies.

As noted in the analysis of the Atlantic Provinces wholesalers' returns, the last commodity group included a wide range of products, often including non-automotive commodities.

As indicated above for other provinces, the lower number dealing in lubricating oils, greases, and tires and tubes, may be attributable to the fact that the oil companies generally distribute their own brands of oils and greases and the tire and tube manufacturers have developed distributing arrangements directly with many of the oil companies thereby curtailing the markets available to the automotive wholesaler interested in handling these commodities.

Service station operators were among the customers of most of the wholesalers although about 11 per cent indicated they did not sell to this market. One company indicated it had withdrawn from soliciting business from these operators because of the agreements under study, and the majority stated they had difficulties with, and were often precluded from selling to service station dealers either because of these agreements or because the oil companies distributed their own or specific manufacturers' brands of goods.

From the replies of the 70 companies reporting on sales by commodities, the following has been compiled:

Commodity	Number Selling in 1956(1)	Sold to Service Stations(1)	
		Yes	No
Lubricating Oils	31	23	8
Greases	27	17	10
Anti-freeze	50	45	5
Additives	53	50	3
Tires and Tubes	15	12(2)	3
Batteries	59	58(2)	1
Accessories	63	60(2)	3
Parts	56	51	5
Other Products	40	33	7

(1) Based on 70 reporting companies.
(2) Includes Atlas Supply Company of Canada Limited.

These data indicate that the commodities which, though dealt in by a wholesaler, most frequently are not sold to service station dealers, are lubricating oils and greases followed by "other products", anti-freeze and parts. Nevertheless, such dealers are usually customers for most of the commodities sold by the automotive wholesalers.

The percentages which sales to service station operators constituted of total sales of a particular commodity, in most instances varied widely among the reporting wholesalers, as indicated in the following compilation:

Commodity	Number Selling to Service Stations in 1956(1)	Range in Percentages of Commodity Sales(1)	
		Min.	Max.
Lubricating Oils	23	3.0	100
Greases	17	10.0	100
Anti-freeze	45	2.0	100
Additives	50	10.0	100
Tires and Tubes	12	(2)	100
Batteries	58	0.1	100
Accessories	60	0.1	100
Parts	51	1.0	100
Other Products	33	2.0	65

(1) Based on 70 reporting companies.
(2) Less than 0.1 per cent.

To this it may be added that for 45 of the reporting companies sales to service station dealers of all products ranged from 1.1 to 100 per cent of wholesale sales of all products. These data include the sales of Atlas Supply.

When the data are considered together with the relative importance of these commodities in a wholesaler's total business, it appears that service station dealers are of considerable importance as an outlet for sales, particularly in accessories, parts, and "other products".

From the information available on the relation of sales to service station dealers to the size of the wholesaler's business, it appears that such sales may be of major importance among dealers with annual sales below $500, 000 - the majority of those reporting in detail - and of significant to substantial size among wholesalers with sales between $500, 000 and $2, 000, 000 annually. Sales to service station dealers by large wholesalers except in the case of Atlas Supply, appear from the data on hand unlikely to be of more than minor importance.

Of the 89 companies reporting as being in the trade. 24 reported having market access agreements during 1955 or 1956 either directly with oil companies or in association with battery or tire manufacturers. Seven reported that they had subsequently cancelled their agreements and one reported that certain of its agreements have been cancelled. Ten companies, including some of the first 24, reported signing agreements subsequent to the 1955 and 1956 period specifically referred to in the questionnaire and two of these ten companies reported that they had later cancelled these agreements.

The following is a classification of these data by size of company:

Annual Sales of Company (thousands of dollars)	Companies Reporting Sales	Agreements in 1955 or 1956	Cancelled 1955 or 1956 Agreements	Agreements Subsequent to 1956	Cancelled Subsequent Agreements
$0 to $100	12	-	-	-	-
$100 to $250	14	1	1	4	1
$250 to $500	25	14	4	-	-
$500 to $750	4	3	1	3	-
$750 to $1, 000	1	1	-	-	-
$1, 000 to $1, 500	1	1	1	-	-
Over $1, 500(1)	4	1	-	1	-
Size Unknown	8	3	1	2	1

(1) Excludes Atlas Supply Company of Canada Limited

These data suggest that the oil companies and automotive products manufacturers are not interested in making agreements with the very small wholesalers, although one such wholesaler reported being offered such an agreement. The small and medium sized companies apparently are those which most frequently have entered these agreements. Four wholesalers in the second and third size categories who neither had agreements nor had previously cancelled agreements, reported receiving offers from oil companies.

Sales under market access agreements with oil companies appear to have varied in their importance to the wholesalers. They reached as low as less than 0.1 per cent of total sales in 1955 and 1956, and as high as 17.8 per cent of total sales in 1955, and 26.3 per cent in 1956. A somewhat similar situation is indicated as to their significance in sales to service station dealers. It was indicated that market access agreement sales ranged from 0.1 per cent of sales to service stations to as high as 60 per cent. Thus it appears that such sales may be of moderate importance in a particular wholesaler's total business and may account for the major share of some wholesalers' sales to service station operators.

It has already been noted that Atlas Supply deals exclusively with Imperial. Atlas Supply is now a wholly owned subsidiary of Imperial. Previously, Imperial had been by agreement, the sole distributor in Canada of the T.B.A. products of Atlas Supply. Although the agreement between Atlas Supply and Imperial signed in 1955 did not specifically appoint Imperial to the same position, the previous arrangement appears still to continue. Imperial, by the agreement, is to buy a major proportion of its annual T.B.A. requirements from Atlas Supply. Sale of "Atlas" branded T.B.A. products by Imperial service station dealers is governed by an agreement between the dealer and Imperial for the supply of such products. "Atlas" products are also sold by certain other networks of service stations such as those of United Farmers in Alberta. In this instance the products are still distributed by Imperial but through its subsidiary, Maple Leaf Petroleum Limited. Thus Atlas Supply does not appear to deal directly with service station dealers although such dealers are its channel of distribution to the public, but rather acts as the purchasing agency for Imperial. There are no commission payments involved in the agreement between Atlas Supply and Imperial. Sales to Imperial are understood to be made on the basis of the supplier's invoice price to Atlas Supply plus a fixed percentage mark-up, the value of which depends on the type of product.

Not all wholesalers participating in market access agreements could provide data on the value of sales involved. The oil company returns provided some of this information. Agreement sales for most of those reporting agreements are estimated to have totalled $393,000 in 1955 and $611,800 in 1956 indicating an increase

exceeding 55 per cent. This may be partly accounted for by the fact that numerous agreements between Canadian Petrofina and wholesalers came into effect in the latter year. These agreement sales amounted to 1.1 and 1.7 per cent of wholesale sales reported by all reporting companies*. The commodities involved appear to have been largely accessories with some sales of batteries and tires and tubes included. Commissions reported paid to the oil companies under agreements amounted to 5.8 and 6.0 per cent of the estimated total sales under agreements in 1955 and 1956 respectively.

D. Manitoba:

Questionnaires were sent to 27 wholesalers in Manitoba and a total of 13 useful returns were received. Seven were quite detailed replies and six provided general information. No information was received from the remaining 14 companies. Three wholesalers who replied, indicated they were not in the automotive products field.

Statistical data on total sales were received from seven wholesalers and an eighth indicated the value of sales of its automotive wholesale division. Statistics for one large company indicated that about two-thirds of its business was in commodities unrelated to the automotive field. The data show that total sales of automotive and related products for the eight companies would amount to approximately $7, 932, 000 in 1955 and $8, 877, 000 in 1956. Wholesale sales made up between 93 and 95 per cent of the total business. Retail selling was reported by only two companies who carried it on along with their wholesale activities. Four companies reported having branch operations; one a large company in many fields of wholesaling has branches from Port Arthur, Ontario, west to Victoria, British Columbia; two others have each five branches in Manitoba. Two companies controlled subsidiaries carrying on in other provinces businesses similar to the parent companies. Of the eight companies reporting sales, three had annual sales below $750,000, three had annual sales between $750,000 and $2,000,000, and one had annual sales over $5, 000, 000. The Company reporting its automotive division sales only indicated these in 1956 exceed $1, 500, 000. This last company was the only one which indicated a decline in sales in 1956

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* Sales by Atlas Supply are included in total wholesale sales but not in total agreement sales. If Atlas Supply sales were included in agreement sales, the total would be a substantial percentage of wholesale sales.

from the previous year, a decline of a significant percentage. Increases in retail sales of from 20 to 50 per cent were reported and increases in wholesale sales ranged between 11 and 47 per cent in 1956.

From the seven companies reporting on sales by commodity classes, the following data were obtained:

Commodity	Number Selling in 1956 (1)	Range in Percentages of Total Sales in 1956 (1) Min.	Max.
Lubricating Oils	-	-	-
Greases	1	n.a.	n.a.
Anti-freeze	5	1.0	3.5
Additives	6	0.5	3.0
Tires and Tubes	1	2.0	2.0
Batteries	6	0.5	8.0
Accessories	6	6.0	35.0
Parts	5	55.0	100.0
Other Products	6	0.5	81.5

(1) Based on 7 companies reporting.

Service station operators were among the customers of nine of the ten wholesalers reporting on this matter. One never sold automotive products to these dealers. No company reported withdrawing from soliciting business from such operators, despite difficulties which most companies allegedly experienced in selling in this market; difficulties arising from market access agreements or the fact that certain principal distributors follow full-line forcing policies for their own or certain manufacturers' brand goods.

From the seven companies reporting sales by commodity classes, it was possible to compile the following information on sales to service station operators in 1956.

Commodity	Number Selling in 1956 (1)	Sold to Service Stations (1) Yes	No
Lubricating Oils	-	-	-
Greases	1	1	-
Anti-freeze	5	5	-
Additives	6	5	1
Tires and Tubes	1	1	-
Batteries	6	6	-
Accessories	6	6	-
Parts	5	5	-
Other Products	6	6	-

(1) Based on seven reporting companies.

These data indicate that, in most instances where a commodity was dealt in by any wholesaler, his customers included service station dealers.

The information on the proportion of a wholesaler's business in each commodity which sales to service station operators comprised, was not provided by more than three wholesalers and it is not considered adequate for forming any conclusions on this matter. Information on total sales to such operators ranged from 3.8 per cent of total sales of a company to as high as 70 per cent. Sales to these dealers by small companies with sales below $250, 000 annually, may be of substantial importance to them while for large companies with sales exceeding $1, 500, 000, such sales have constituted quite a minor percentage of their business.

Of the 13 companies reporting, only two (among the largest reporting) have any market access agreements with principal distributors and there is little information available concerning one of these wholesalers. In this instance the agreements do not appear to have been connected with extensive sales according to the oil companies' returns. The other wholesaler reported market access agreements with North Star, Canadian Oil and B.A., during 1955 and 1956, but the agreements with Canadian Oil and B.A. have since been terminated. This wholesaler also has an agreement in association with The Electric Storage Battery Co. (Canada) Ltd. This manufacturer reimburses the wholesaler for the 10 per cent commission paid on battery sales to North Star and B.A. The commissions paid on other T.B.A. products were 7.5 per cent under the agreements. Total sales under all this wholesaler's market access agreements are estimated to have made up 10.9 and 12.0 per cent of total sales of the company in 1955 and 1956 respectively, and 54.5 and 60.0 per cent of sales to service station dealers. Sales under the agreements were almost 19 per cent greater in 1956 than in 1955. Sales to North Star dealers, the only oil company with whom the wholesaler has since retained an agreement, increased 55 per cent in 1956 from the previous year. In 1956 North Star sales made up about 45 per cent of all market access agreement sales.

E. Saskatchewan:

Questionnaires were sent to 22 wholesalers in Saskatchewan and 17 useful replies were received of which ten gave considerable detailed information. One company reported it was no longer wholesaling automotive products. No information was received from three companies and the Post Office returned two questionnaires.

Statistical data for total sales were received from ten companies indicating sales valued at $9,576,000 and $10,503,000 during 1955 and 1956 respectively for these wholesalers. One company in each year accounted for a substantial part of these sales. Wholesale sales comprised over 99 per cent of total sales in each year. Retailing, in conjunction with wholesale activities, was carried on by five wholesalers. In one instance, a small concern with total sales less than $100,000 annually, indicated that its retail sales constituted a greater proportion of total sales than did wholesale trading. Five companies reported operating branches; one extensively, with 17 branches. Two companies control subsidiaries in the same line of business. One of the two is the large wholesaler noted above, and its subsidiary is a large wholesale company in Manitoba.

With one exception all companies showed greater wholesale sales in 1956 than in the previous year. Increases ranged between 6.1 and 23.8 per cent. The decrease indicated for the one company is estimated to be a significant percentage. In all but one instance, higher sales at retail were reported by those carrying on such business, with increases up to 25 per cent; one company indicated no change in sales in the two years.

From the ten companies reporting on sales by commodities, the following has been compiled:

Commodity	Number Selling in 1956 (1)	Range in Percentages of Total Sales in 1956 (1)	
		Min.	Max.
Lubricating Oils	1	n.a.	n.a.
Greases	1	n.a.	n.a.
Anti-freeze	7	1.1	5.0
Additives	9	0.2	1.0
Tires and Tubes	4	1.9	13.0
Batteries	10	1.0	15.3
Accessories	10	17.4	45.0
Parts	9	5.0	58.2
Other Products	9	13.0	61.6

(1) Based on ten reporting companies.

The relatively small number of wholesalers dealing in lubricating oils, greases, and tires and tubes may be noted. Doubtless, this may be attributed to the fact that the oil companies generally distribute their own brands of oils and greases and even where a wholesaler distributes to many different types of customers

using automotive products, nevertheless oils and greases are likely to be supplied by the oil company or gasoline jobber selling gasoline to such customers. The situation in tires and tubes would appear to reflect the tire manufacturers' operation of their own retail stores and their customary use of the oil companies and their dealers as franchised tire dealers, thus by-passing the automotive wholesaler.

Service station operators together with the usual other customers - garages, car dealers, body repair shops, fleet operators and industrial accounts - were among the outlets for all reporting companies. No company reported withdrawing from soliciting business from service stations although all have indicated some difficulty selling to this market either because of the agreements under study, or because the oil companies distribute their own or certain manufacturers' branded lines.

From the replies of the ten wholesalers reporting sales by commodities, the following information has been compiled on sales to service station dealers:

Commodity	Number Selling in 1956 (1)	Sold to Service Stations (1)		
		Yes	No	Unknown
Lubricating Oils.	1	1	-	-
Greases	1	1	-	-
Anti-freeze	7	5	2	-
Additives	9	7	2	-
Tires and Tubes	4	3	-	1
Batteries	10	8	2	-
Accessories	10	8	1	1
Parts	9	8	-	1
Other Products	9	8	-	1

(1) Based on ten reporting companies.

Five only of the ten reporting companies provided information on the percentage of sales of any commodity which sales to service stations constituted. This information is given below:

Commodity	Number Selling to Service Stations in 1956	Range in Percentages of Total Sales in 1956 (1) Min.	Max.
Lubricating Oils	1	n.a.	n.a.
Greases	1	n.a.	n.a.
Anti-freeze	5	5.0	77.3
Additives	7	20.0	86.0
Tires and Tubes	3	49.5	49.5
Batteries	8	10.0	75.8
Accessories	8	10.0	82.0
Parts	8	1.0	53.3
Other Products	8	3.0	42.3

(1) Based on five reporting companies.

Total sales to service station operators ranged from 5.2 to 57.2 per cent of total sales of all products for the companies reporting such information.

The data reported above by commodities suggests that sales to service station operators may account for a substantial to major percentage of sales of most commodity groups. When these data are considered together with the relative importance of each commodity in a wholesaler's business, it appears that service station operators are of considerable importance as a market for accessories, parts, and "other products".

Only one of the reporting companies indicated that it was a party to market access agreements with any principal distributor. This company controls one of the two wholesale concerns recorded above as having such market access agreements in Manitoba. The single Saskatchewan wholesaler had agreements in 1955 and 1956 with B.A., Canadian Oil and North Star and in 1956 entered an agreement with Royalite. In addition, agreements were made with The Electric Storage Battery Co. (Canada) Ltd. and Dominion Rubber Co. With battery sales, the wholesaler either reported these to the manufacturer which paid the commission to the oil companies, or he was reimbursed for commissions paid directly to the oil companies on account of sales to their dealers. It appears from the information available, that a similar arrangement was in effect with the tire manufacturer. The market access agreements with B.A. and Canadian Oil were terminated in 1958. Total sales under all these agreements amounted to 4.4 and 5.2 per cent of the wholesaler's total sales in 1955 and 1956 respectively and, to an estimated 22 and 26 per cent respectively of sales to service station dealers. The increase in market access agreement

sales was 33.0 per cent in 1956. It is estimated that in 1956, agreement sales of batteries accounted for some 25 per cent of battery sales in that year and, agreement sales of tires and tubes were just less than 5 per cent of tire and tube sales in the same year. It is not possible to make a similar estimate for agreement sales of accessories. Commission payments averaged 8.3 and 6.4 per cent of total agreement sales in 1955 and 1956 respectively.

One wholesaler without any market access agreements reported that it could have had an agreement with an oil company if it had wanted it.

F. Alberta:

Questionnaires were sent to 19 wholesalers in Alberta and a total of 13 useful returns were received. Eleven were quite detailed replies and two were general in nature. Nothing at all was heard from five companies and one was returned by the Post Office.

Statistical data for total sales were received from 11 companies indicating values of \$20, 501, 000 and \$23, 560, 000 in 1955 and 1956 respectively. With respect to two companies, the sales of only the automotive products division of the companies were reported. One company was active in British Columbia. If the sales in British Columbia are deducted from the above totals, figures for total sales of \$14, 853, 000 and \$17, 407, 000 would be indicated for the reporting companies. Wholesale sales by these companies are estimated to have made up between 98 and 99 per cent of total sales in both years. Retail selling was conducted by four of the wholesalers in conjunction with their wholesale operations. Six companies reported conducting branch operations, one quite extensively with 16 branches. Two companies controlled subsidiary companies, and in each instance, the subsidiaries in effect conducted branch operations. Of the eleven companies reporting sales data, six had sales under \$750,000, three had sales between \$1,000,000 and \$2,000,000 and two had sales over \$5,000,000.

No company reported decreases in either retail or wholesale sales in 1956 and increases in wholesale sales ranged from as low as 5 per cent to a high of over 400 per cent. This last instance was a comparatively small company.

From the 11 companies reporting on sales by commodity classes, the following data were obtained:

Commodity	Number Selling in 1956 (1)	Range in Percentages (1) of Commodity Sales	
		Min.	Max.
Lubricating Oils	1	n.a.	n.a.
Greases	1	1.0	1.0
Anti-freeze	6	1.2	14.0
Additives	8	0.7	10.0
Tires and Tubes	4	10.2	13.0
Batteries	10	2.0	8.2
Accessories	10	13.6	94.6
Parts	8	1.0	40.0
Other Products	7	9.0	38.5

(1) Based on 11 reporting companies.

Service station operators were among the customers of 13 of the 14 wholesalers reporting. One sold only to such operators. One wholesaler reported having withdrawn from the automotive products field about the end of 1956. All other companies reported seeking business from service stations despite difficulties which most companies allegedly experienced in selling in this market, difficulties stemming from directed buying and full-line forcing.

From the 11 companies reporting sales by commodity classes, it was possible to compile the following information on sales to service station operators in 1956:

Commodity	Number Selling in 1956 (1)	Sold to Service Stations (1)	
		Yes	No
Lubricating Oils	1	1	-
Greases	1	1	-
Anti-freeze	6	4	2
Additives	8	8	-
Tires and Tubes	4	2	2
Batteries	10	10	-
Accessories	10	10	-
Parts	8	8	-
Other Products	7	6	1

(1) Based on 11 reporting companies.

The data available on the proportion of a wholesaler's business in each commodity which sales to service station dealers accounted for, are given below for 1956:

Commodity	Number Selling to Service Stations(1) in 1956	Range in Percentages of Commodity Sales(1) Min.	Max.
Lubricating Oils	1	100	100
Greases	1	20	20
Anti-freeze	4	10	50
Additives	8	25	67
Tires and Tubes	2	31	100
Batteries	10	10	50
Accessories	10	8	75
Parts	8	10	46
Other Products	6	20	61

(1) Based on 11 reporting companies.

To this information, it should be added that sales of all commodities to service station operators ranged from 8 to 100 per cent of total sales for the 11 reporting companies.

The data above when considered together with the relative importance of each commodity in any wholesaler's business, suggest that for all commodities except accessories, service station dealers may at best be regarded as being only minor or moderately significant sources of business.

From the information available relating sales to service station dealers to the size of the wholesaler's business, it would appear that, for companies with annual sales below $250, 000, the proportion of total sales accounted for by sales to such dealers may be substantial. The remaining data for other sizes of company is not adequate to permit any conclusions.

Of the 13 companies reporting, four mentioned market access agreements with principal distributors or manufacturers during 1955 and 1956 and one entered a contract in 1957. A check of the oil company returns did not indicate that any existed with the wholesalers not reporting. One company with market access agreements in 1955 and 1956 with Shell, Standard, Texaco Canada, Royalite, Home and B.A., subsequently discontinued its agreements with Home and B.A. The agreements of this company at that time apparently concerned its business activities in British Columbia (reported in analysis of that Province) although they appear now also to be concerned with sales to the principal distributors' dealers in Alberta. In any event, sales by this Company under agreement accounted for 7.6 and 6.4 per cent of its total sales in 1955 and 1956 respectively, and 20.4 and 16.5 per cent of its total sales to service station dealers in the same years. There was a 6.3 per cent decline in the company's

sales under agreements in 1956. These market access agreements covered sales of tires (10 per cent commission), batteries (10 per cent commission reimbursed by the battery manufacturer - The Electric Storage Battery Co. (Canada) Ltd.) and accessories (5 to 7.5 per cent commissions) and total commissions paid averaged around 8.5 per cent of agreement sales in 1955 and 1956. Sales of accessories in 1956 accounted for 40.5 per cent of agreement sales, batteries for 22.1 per cent, tires and tubes for 36.8 per cent, and anti-freeze for the remaining 0.6 per cent. In the same year, agreement sales of accessories totalled 9.5 per cent of all accessories sales and 33.7 per cent of such sales to service station dealers; for batteries the percentages were 32.7 per cent of all battery sales and 68.9 per cent of such service station sales, for tires and tubes the percentages were 22.9 per cent and 73.3 per cent respectively, and for anti-freeze, 1.1 per cent and 3.1 per cent respectively. These data indicate that for the first three commodities, market access agreements were of considerable significance for this wholesaler, particularly with respect to sales to service station dealers.

Another wholesaler had market access agreements with a number of oil companies - with B.A., Canadian Oil, Texaco Canada, Standard, Shell, Anglo American, North Star, Great West and Royalite. The agreements with B.A. and Royalite have subsequently neen cancelled. The agreements covered sales of batteries and accessories at commissions of 10 per cent and 6 per cent respectively. The agreements on batteries were shared with the battery manufacturer, now The Electric Storage Battery Co. (Canada) Ltd., who paid the commission. Agreement sales of accessories in 1955 and 1956 accounted for the total sales of accessories by the company and were therefore apparently all made to service stations. As some of these data are estimates only, there may have been some sales of accessories to other customers although, a cross check with the principal distributors' returns substantially confirms the estimates. Agreement sales of batteries to oil companies accounted for 15.3 and 18.2 per cent of total battery sales in 1955 and 1956 and 61.2 and 72.8 per cent of such sales to service station dealers in the same years. Agreement sales in total made up 12.7 per cent and 15.1 per cent of total sales and 44.3 per cent and 51.7 per cent of all service station sales in 1955 and 1956 respectively. It is again evident that these agreements were of considerable significance in this wholesaler's operations.

The remaining two wholesalers who reported having market access agreements are, by comparison with the previous two, of minor importance. One has had an agreement with a manufacturer of certain accessories and parts since mid-1956, whereby it shares evenly with the manufacturer, a commission of 8 per cent on sales of its products to Shell service station operators. Sales under the agreement in 1956 were less than 0.5 per cent of total sales of the

Company. The remaining wholesaler reported he had an agreement in 1955 and 1956 with one of the tire manufacturers (who is also a battery and accessories wholesaler) whereby that company paid a commission on sales to Texaco Canada, B.A. and Imperial. Subsequently, this wholesaler has participated in an additional, similar agreement with another tire manufacturer who also distributes accessories and batteries, involving sales to Royalite, Shell, North Star and B.A. service station operators. It is not possible to determine the value of this wholesaler's agreement sales but they do not appear to have been very large. Nevertheless, the agreements may have been of significance in the sales of these commodities.

All but one wholesaler (one with a number of market access agreements) indicated they had some difficulties in selling to service station operators and many considered themselves precluded from making such sales.

G. British Columbia:

Questionnaires were sent to 44 wholesalers in British Columbia and a total of 17 useful returns were received. Quite detailed replies came from 14 companies and three sent general answers. Nothing whatever was heard from 25 companies and the replies of the remaining two yielded no information.

Statistical data for total sales were received for 12 companies indicating values of $29, 976, 000 in 1955 and $33, 572, 000 in 1956. In each year one large company accounted for over three-quarters of the totals. This company was primarily concerned in other trading activities than automotive products, the latter comprising only about 5 per cent of total wholesale sales. The company also was active at the retail level with sales made up of many products outside the automotive field. This would indicate that total sales figures of $5, 000, 000 and $5, 775, 000 would more closely approximate the sales of automotive and generally related products for these companies in each year. Wholesale sales are estimated to have accounted for between 96 and 97 per cent of total sales in both years. Retail selling was conducted by two reporting wholesalers only, in conjunction with wholesale activities and, in the instance of the large company referred to above, from retail establishments. Six companies reported having branch operations and two had subsidiary companies which in one case were active in the automotive trade. Branch operations were not extensive or numerous. Of the twelve companies reporting sales data, eight had sales under $500, 000 annually; three had sales between $500, 000 and $1, 000, 000; and the twelfth reported sales exceeding $20, 000, 000.

No wholesaler indicated a decrease in wholesale sales in

1956 compared with 1955, and increases as high as 56.6 per cent were reported. Eight wholesalers showed increases exceeding 10 per cent.

From the 13 companies reporting on sales by commodities, the following data were obtained:

Commodity	Number Selling[1] in 1956	Range in Percentages of Total Sales in 1956 [1]	
		Min.	Max.
Lubricating Oils	4	0.02	1
Greases	2	(2)	1
Anti-freeze	10	0.2	9
Additives	12	0.01	10
Tires and Tubes	4	1.8	26
Batteries	13	0.1	10
Accessories	13	2.7	92
Parts	10	5.0	45
Other Products	8	15.0	95

(1) Based on 13 reporting companies.
(2) Less than 0.01 per cent.

Service station operators were among the customers of 16 of the 17 wholesalers reporting. Other customers included independent garages, body repair shops, car dealers, trucking fleet operators and a wide range of industrial, marine and logging accounts. One company reported that its total business was with service station dealers. No company reported withdrawing from soliciting business from such dealers because of the arrangements under study, although one wholesaler did not consider the market sufficiently good to have its salesmen visit service stations; they confined their sales to these dealers to telephone orders.

From the replies of the 13 companies reporting sales by commodities, it was possible to compile the following information on whether these commodities were sold to service station operators during 1956.

Commodity	Number Selling in 1956 (1)	Sold to Service Stations (1)	
		Yes	No
Lubricating Oils	4	3	1
Greases	2	-	2
Anti-freeze	10	9	1
Additives	12	10	2
Tires and Tubes	4	3	1
Batteries	13	13	-
Accessories	13	13	-
Parts	10	9	1
Other Products	8	6	2

(1) Based on 13 reporting companies.

Lubricating oils, greases and tires and tubes were the commodities handled by the fewest wholesalers and were also the commodities which found customers least often among service station dealers. Batteries, accessories and additives were handled by all or nearly all companies and were most frequently sold to service station operators.

The data available on the proportion of a wholesaler's business in each commodity accounted for by sales of the commodity to service station dealers are given below for 1956:

Commodity	Number Selling to Service Stations in 1956 (1)	Range in Percentages of Commodity Sales (1)	
		Min.	Max.
Lubricating Oils	3	4.5	40
Greases	-	-	-
Anti-freeze	9	7.5	100
Additives	10	20.0	100
Tires and Tubes	3	10.0	70
Batteries	13	20.7	100
Accessories	13	10.6	100
Parts	9	5.5	100
Other Products	6	7.0	33

(1) Based on 13 reporting companies.

To this information it should be added that the proportion of total sales of all commodities which sales to service station operators comprised, ranged from 0.07 to 100 per cent for 11 of the 13

reporting companies.

The above data indicate that wholesalers experience a wide variation in the percentages of sales of each commodity which they may sell to service station operators. Nevertheless, sales to service station dealers may account for the major part of total sales of any of the commodities, except perhaps, "other products" and lubricating oils. Even here, service station sales could be significant.

The information reported was not adequate to permit any conclusions about the relation between the size of reporting companies and the proportion of total sales of any particular commodity accounted for by service station dealers. As to the proportion of total sales of all commodities accounted for by sales to such dealers, it appears that for companies with annual sales below $250, 000, the proportion may be substantial. Where the company is very large, it is unlikely that sales to service station operators would be of any great significance. This may well be for the reason that the market provided by service station dealers in British Columbia is limited, in comparison say with Ontario, and a company which has achieved substantial sales as a wholesaler will doubtless have done so after having exploited numerous channels of development.

Of the 17 companies providing useful information, only two reported participating in any market access agreements with principal distributors or suppliers of automotive products during 1955 and 1956. Two reported that subsequently, in 1958, they had entered such agreements with principal distributors. The first two reporting market access agreements explained that they were made in co-operation with The Electric Storage Battery Co. (Canada) Ltd. and were verbal agreements. One reported to the manufacturer its sales to all service stations but paid no commission on such sales. The second stated they were a "preferred" source of supply from whom Shell and Texaco Canada dealers were to purchase such batteries and the battery manufacturer paid the commission to the oil companies. The first wholesaler mentioned above also stated that he reported to the manufacturer his sales of B.F. Goodrich tires to service station dealers and understood a commission was paid to the oil companies concerned. A cross check of the oil company returns indicates that there was only one wholesaler in British Columbia which apparently entered formal market access agreements during 1955 and 1956. This company is now the subsidiary of an Alberta concern and its sales in British Columbia were reported in conjunction with Alberta sales.

Practically all wholesalers allegedly had difficulties in making sales to service station dealers, arising out of the existence of the market access agreements with wholesalers or because the

dealers would carry only their distributor's lines of products. It appears, however, that the agreements now in effect have operated with varying results on the sales of the participating wholesaler. The wholesaler mentioned above who had the agreement with the battery manufacturer, indicated he had difficulties in selling other lines to those dealers with whom he was listed as a preferred source for batteries, because these lines were covered by agreements with another supplier.

The wholesaler's battery sales under agreement to Shell and Texaco Canada, (referred to above) made up 33 per cent of the wholesaler's battery sales in 1956 and 66 per cent of such sales to service station dealers. These agreement sales accounted for one per cent of the company's sales of all commodities and 4.2 per cent of all sales to service station dealers.

It was mentioned above that an Alberta company acquired a former British Columbia wholesaler who had extensive agreements with oil companies in British Columbia. If this company's sales of automotive products in British Columbia were added to the totals cited at the first of this section, it would bring the totals for 1955 and 1956 to over $10, 000, 000 and about $12, 000, 000 respectively. When sales under agreements in the Province by the same company are added to those reported by other companies, they amount to 7.7 and 6.5 per cent of total automotive products sales in 1955 and 1956 respectively for the 14 reporting companies.

APPENDIX X

Sample Contracts Used in Market Access Agreements
and
Lists of Parties to Market Access Agreements with Principal Distributors

A. Sample Contracts Used in Market Access Agreements

1. Agreement with a Battery Manufacturer

"MEMORANDUM OF AGREEMENT made at the City of Toronto, in the Province of Ontario, this First day of May, 1957.

BETWEEN: .... [Battery manufacturer]

PARTY OF THE FIRST PART

AND:

.... [Oil company]

PARTY OF THE SECOND PART

WHEREAS the Seller is the Manufacturer of .... [brand name] storage batteries, and

WHEREAS the Company owns or has agreements with stations or outlets for the purchase and resale of its petroleum products, and

WHEREAS the Seller is desirous of selling .... [brand name] storage batteries to the stations or outlets from which the Company's petroleum products are sold.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and all the terms and conditions herein contained the parties mutually covenant and agree each with the other as follows:

1. The Seller shall pay to the Company in the manner hereinafter provided a fee of ten per cent (10%) on the net dealer purchase price of the total purchases from the Seller or its distributors of the merchandise mentioned in the premises made by the following:

(1) .... [Name of oil company],

(2) Lessee Dealers of ....[Name of oil company]

(3) (a) All other dealers selling .... [Name of one company] gasoline provided that they are not at the date of this Agreement selling ....[brand name],

(b) All other dealers who may in future sell ....[Name of one company] gasoline provided they have not previously been secured by the Seller as ....[brand name] dealers.

It is agreed that in all cases where any of the .... [Name of oil company] lessee-dealers or dealers are or may become ....[brand name] wholesalers, in such event the fee will be paid only on their retail sales on the net dealer purchase price and the Seller shall not be required to pay a fee on the wholesale sales of any such wholesaler.

The said fee shall be computed on all sales made as aforesaid from the commencement of this agreement and shall be paid monthly as soon as possible after computation but within fifteen (15) days following the month for which the fee is due. Purchases made direct by the Company from the Seller shall be at the dealer's prices less dealer discounts and less above fee.

2. The Seller agrees to give to the Company access at all reasonable times to all their records showing sales to any of the parties mentioned in Clause 1 hereof for the purpose of verification of the amount of fee earned hereunder by the Company.

3. The Seller agrees to sell or offer for sale to the aforementioned outlets the above-mentioned merchandise subject to paragraph eight hereof.

4. The Company will assist to the extent that the Company's policy will allow, in recommending the purchase of such merchandise in accordance with the sales method policy of .... [Name of battery manufacturer].

5. The Company agrees to furnish the Seller with a complete list of the outlets mentioned in these presents, and advise the Seller of any changes from time to time in the aforementioned list.

6. Nothing herein contained shall be construed to make .... [Name of oil company] liable for the purchase

price of any storage batteries or other merchandise purchased by anyone other than itself.

7. It is understood and agreed that the Seller shall not be liable for delays or failures to make delivery occasioned by war, fires, the elements, labour troubles, interruptions of transportation facilities or any other cause beyond the control of the Seller.

8. The Seller will supply or sell to the outlets mentioned in these presents, necessary sales helps, price lists, catalogues and other technical data.

The Seller reserves the right to refuse to sell to any outlet mentioned in these presents if in its opinion the sale of its products is not being carried on in accordance with its sales practice.

9. This Agreement shall take effect as from the First day of May, 1957, and shall continue in force until terminated at the end of any anniversary date by either party giving to the other sixty (60) days' notice in writing.

10. The terms, conditions and provisions hereof shall extend to and be binding upon the successors and assigns of the parties hereto.

IN WITNESS WHEREOF the parties hereto have executed this AGREEMENT as of the day and year first above written.

SIGNED in the presence of:	)	.... [Name of Battery Manufacturer]
	)	____________________
	)	____________________
	)	.... [Name of Oil Company)
	)	____________________ Vice-President
	)	____________________ Secretary

(Exhibit #9, 1958, Regent Return of Information)

2. Agreement with a Tire Manufacturer

"MEMORANDUM OF AGREEMENT made at the City of Montreal this 20th day of September, Nineteen Hundred and Fifty-Seven.

BETWEEN:

.... [Tire Manufacturer]

PARTY OF THE FIRST PART

AND:

.... [Oil Company]

PARTY OF THE SECOND PART

WHEREAS the Seller is the manufacturer and distributor of tires and tubes, storage batteries, home and automobile supplies; and

WHEREAS the Company owns or has agreements with stations or outlets for the purchase and resale of its petroleum products, and

WHEREAS the Seller is desirous of selling its tires and tubes, storage batteries, home and automobile supplies to the stations or outlets from which the Company's petroleum products are sold.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the presents and all the terms and conditions herein contained the parties mutually covenant and agree each with the other as follows:

1. The Seller shall pay to the Company, in the manner hereinafter provided a sales commission based on the net dealer billing purchase price, which price shall be competitive with the price accorded by the Seller to its own dealers for all purchases made of tires and tubes, storage batteries, home and automobile supplies from the Seller or its distributors or from such dealers as the Seller designates as the source of supply, by the purchasers hereinafter listed as follows:

(i) ....[Name of oil company].
(ii) Lessee-dealers of the Company.

(iii) (a) Dealers selling the Company's gasoline and who appear on the list submitted by the Company to the Seller as of the date of this Agreement.

(b) All other dealers who may in future execute a contract to sell the Company's gasoline within thirty days of having executed a contract with the Seller.

2. The sales commission payable by the Seller to the Company on the tires and tubes, storage batteries, home and automobile supplies hereinabove referred to shall be as follows:

(a) Tires and tubes (passenger cars) - 14%

(b) Truck, bus, tractor and implement tires and tubes - 14%

(c) Home supplies - 5%

(d) Storage batteries - 10%

(e) Automobile accessories - 10%

3. The Seller shall also pay to the Company, in the manner hereinafter provided, a sales commission based on the net billing to the purchasers listed in Clause 1 hereof after deducting all returns, adjustments and sales tax (the deduction of sales tax being based on the current average rate as charged by the Federal Government in any one 'tire year', such average rate at present being 5%) on all retreading ('custom work') and/or purchases of retreaded tires ('New Treads') carried out or made by or from the Seller for and by the purchasers listed in Clause 1 hereof.

3A. The sales commission payable by the Seller to the Company on retreading ('custom work') shall be 10%; the sales commission payable by the Seller to the Company on all purchases of retreaded tires ('New Treads') shall be $12\frac{1}{2}$%; it being nevertheless understood that these commissions will only apply to retreading carried out by ....[tire manufacturer] owned and operated shops.

4. It is expressly understood and agreed that where this Company holds a Mortgage or Mortgages from any dealers, (as outlined in subclauses (ii) and (iii) of Clause 1 herein), said dealers being obligated under such Mortgage or Mortgages

to purchase tires and tubes as are designated by the Company, and said dealers lease the whole or a portion or portions of such mortgaged lands and premises to third parties, this Company shall nevertheless continue to entitlement to the commissions outlined in Clauses 2 and 3A herein for all purchases of tires and tubes, storage batteries, home and automobile supplies and retreaded tires, as well as retreading made by or carried out for such third party lessees, the whole for so long as this Company's mortgage interest may endure and/or this Company's products continue to be sold from the whole or any portion or portions of such mortgaged lands and premises.

4A. The sales commission as herein provided for shall be computed on all sales made as aforesaid from the commencement of this Agreement and shall be paid as soon as possible after the end of each 'tire year' or more particularly as soon as possible after the 31st day of October of each year.

5. Purchases made direct by the Company from the Seller shall be at the net '........ [tire manufacturer] Tire Confidential Dealer Billing Price' (as published by .... [tire manufacturer] for the use of their dealers) less maximum dealer consideration as shown in annual published dealer franchise form (Schedule A).

6. (a) For the purpose of this Agreement net dealer billing purchase price shall be the net billing invoice price to the dealer after any or all merchandise has been returned and credited, and rebates and adjustment allowances have been deducted.

(b) For the purpose of this Agreement 'rebates' shall mean those amounts paid or credited to .... [tire manufacturer] dealers in fulfilment of Clause 4 of the .... [tire manufacturer] Dealer Franchise Agreement in the event of a suggested retail and dealer concurrent price reduction, being, more particularly, the difference between the initial price and the reduced price on a dealer's inventory of tires and tubes in stock and unsold on the day of the price change that were purchased during the preceding thirty days.

(c) For the purpose of this Agreement 'Adjustment Allowances' shall mean those amounts paid or credited to .... [tire manufacturer] dealers in respect of merchandise which has proven to be defective, being, more particularly, a refund of the price of the merchandise less an amount proportionate to the service rendered by the merchandise before it proved to be defective.

7. The Seller agrees to give to the Company access at all reasonable times to all their records showing sales to any of the parties mentioned in Clauses 1 and 3 hereinabove for the purpose of verification of the amount of sales commission earned hereunder by the Company.

8. The Seller agrees to sell or offer for sale to the aforementioned purchasers the abovementioned merchandise.

9. The Company shall assist to the extent that the Company's policy will allow in promoting the sale of such merchandise in accordance with the sales method policy of the Seller; it is nevertheless understood and agreed that the Company may promote the sale to all dealers and lessee-dealers as outlined in Clause 1 hereof, of storage batteries of makes other than those manufactured and supplied by the Seller and automobile supplies and home supplies other than those manufactured and/or furnished by the Seller.

10. The Company agrees to furnish the Seller with a complete list of the outlets mentioned in these presents, and advise the Seller of any changes from time to time in the aforementioned list.

11. Nothing herein contained shall be construed to render the Company liable for the purchase price of any tires and tubes, storage batteries, home supplies, automobile accessories and retreaded tires purchased by anyone other than itself, nor for the price of retreading carried out for anyone other than itself.

12. It is understood and agreed that the Seller shall not be liable for delays or failures to make delivery occasioned by war, fires, the elements, labour troubles, interruptions of transportation facilities or any other cause beyond the control of the Seller.

13. The Seller will supply to the outlets mentioned in these presents, necessary sales helps, price lists, catalogues and other technical data, together with an approved identification program.

14. The Seller agrees to make available to all dealers listed in Clause 1 hereof the ....[tire manufacturer] Book Credit Plan, provided said dealers have been approved by Seller's Credit Department, which approval shall not be unreasonably withheld.

15. The Seller agrees to encourage the sale of the Company's products to certain retail establishments owned and/or operated and/or leased by it, the Seller.

16. In no event shall the Seller be obligated to pay sales commission on purchases of:-

Merchandising and mechanical equipment of a kind which is not normally resold;

Discontinued lines of merchandise sold at discounts in excess of normal discounts;

Advertising items;

Sales promotion items.

17. The Company agrees that when purchasing passenger cars and trucks for its business it will use its best efforts to have said passenger cars and trucks equipped with Seller's tires and tubes, provided this will not result in loss of time or increase of cost to the Company.

18. The terms and provisions, covenants, agreements and conditions contained in the agreement are subject in all respects to present and future regulations, orders and enactments of the Government of Canada and/or of Governments of any Province of Canada having jurisdiction, and all such present and future regulations, orders and enactments are to be considered part of this agreement and read in conjunction therewith.

19. This Agreement shall take effect from the first day of November, 1957, and shall continue in force until the 31st day of October, 1967, but may be terminated by either party at the end of the fifth year of the herein term or at the end of any subsequent year of the herein term by either party giving to the other one year's prior written notice of its intention so to terminate.

20. The terms, conditions and provisions hereof shall extend and be binding upon the successors and assigns of the parties hereto.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

SIGNED in the presence	)	....
of:	)	[Name of Tire Manufacturer]
	)	....
	)	President
	)	....
	)	Treasurer
	)	....
	)	[Name of Oil Company]
	)	....
	)	Vice-President
	)	....
		Secretary "

(Exhibit #10, 1958, Regent Return of Information)

Copy of Correspondence Connected with Agreement Cited in 2 Above

" ....
[Name of Parent Oil Company]

September 21, 1957

....
[Name of Tire Manufacturer]

Dear Sirs:

Re: <u>Our File C. & L. No. 124</u>

By separate Agreements each dated the 20th day of September, 1957, you agreed to supply .... [Name of parent oil company] and .... [Name of oil company], respectively, as well as certain of the dealers and distributors of these companies with tires and tubes, storage batteries, home and automobile supplies, and in consideration for which you further agreed to pay to .... [Names of parent and subsidiary oil companies], respectively, Sales Commissions, upon certain terms and conditions, the whole as set out within the body of each of the aforesaid Agreements.

It is hereby understood and agreed that in further implementation of said Agreements, you will:

a) increase your number of supply points to approximately seventy-seven (77), such increase to be completed within four (4) months from the date hereof but in no event later than 1st day of May, 1958;

b) endeavour to increase the call frequency by your employees;

c) in metropolitan areas (i.e., Montreal, Toronto and any other points where the number of .... [Parent oil company] and/or .... [Oil company] accounts justify the type of solicitation immediately hereinafter provided for) have certain of your sales representatives who will call upon .... [Parent oil company] and .... [Oil company] accounts exclusively;

d) assign at least one petroleum representative in Montreal and at least one petroleum representative

in Toronto to cover .... [Parent oil company] and .... [Oil company] accounts exclusively (such petroleum representatives to be in addition to the salesmen presently covering ....[Parent oil company] and .... [Oil company] accounts).

If this letter is in accordance with your understanding, would you kindly indicate your acceptance by affixing your signatures and seal in the space provided hereunder and return the duplicate of this letter to the undersigned.

Yours very truly,

....
[Parent Oil Company]

....
President

....
Secretary

....
[Subsidiary Oil Company]

....
Vice-President

....
Asst. Secretary

ACCEPTED this 3rd day of October, 1957.

....
[Tire Manufacturer]

....
President

....
Treasurer "

(Attachment to Exhibit M 107)

It should be noted that the rates of commissions cited in the above contract are not necessarily the same as negotiated between the five manufacturers and other principal distributors as is indicated in 1958 Standard Return of Information, Exhibit 0.

3. Agreement with a Tire Manufacturer

" ....
[Tire Manufacturer]

.........., Ontario

March 11, 1957

....
[Oil Company]

Attn: ....
Sales Manager - Marketing.

Dear Sirs: Re: Merchandising Commission Agreement
Our File A/14/30

In accordance with your request we are pleased to confirm the terms and conditions under which we would be prepared to pay to your Company a merchandising commission for your efforts in promoting the sale of our products from your service stations in Canada during the 1956-57 bonus year which commenced on November 1, 1956.

We are attaching to this letter a schedule identified as Schedule 'A' setting forth the terms under which your Company would market our products at these locations. In return for your efforts a merchandising commission will be paid by us equal to 10% of the net dealer price of our products sold by those of your dealers who, in the opinion of our local representative, have become .... [Tire manufacturer] dealers or have developed their tire business by reason of the assistance which you provide.

We feel sure that you will understand that any dealers developed by ourselves and who subsequently become associated with your Company would not be subject to merchandising commission.

We are satisfied that our field representatives will have no difficulty in coming to an agreement with your representatives

as to the eligibility of each retail location for insertion in the .... [Tire manufacturer] Agreed List.

If the terms of this letter and the Schedule hereto attached are satisfactory to you and carry out the arrangements already discussed with you we would be pleased if you would so advise us by acknowledging the receipt of the original of this letter on the bottom lefthand corner hereof where indicated together with your initials on the Schedule attached and then return the same to us at your convenience.

We have every confidence that this arrangement will prove to be to our mutual advantage and that we can look forward to a very pleasant association with your Company.

Yours very truly,

....
[Tire Manufacturer]

....
Vice President in Charge of Sales

ACCEPTED this 10th day of April, 1957.

....
[Oil Company] "

The following is the Schedule attached to the above letter:

" THIS IS SCHEDULE 'A' REFERRED TO IN THE LETTER AGREEMENT DATED THE DAY OF MARCH, 1957 BETWEEN .... [Tire Manufacturer] and .... [Oil Company].

.... [Tire manufacturer] PARTICIPAT-OIL COMPANY MERCHANDISING COMMISSION POLICY

The .... [Tire manufacturer] will pay a Participating Oil Company Merchandising Commission in return for the use of a Petroleum Company's retail location as a point of sale where .... [Tire manufacturer] products may be identified, displayed and retailed to the public.

.... [Tire manufacturer] AGREED LIST

Merchandising Commission is paid to Participating Oil Companies on locations which are authorized on the .... [Tire

manufacturer] Agreed List.

The .... [Tire manufacturer] Agreed List includes Participating Oil Company Retail Locations at which .... [Tire manufacturer] acknowledges that the Oil Company's location and the marketing and merchandising methods used by the outlet are the contributing factors which make the location a point of sale for .... [Tire manufacturer] Tires, Tubes, Batteries, Battery Accessories and other .... [Tire manufacturer] products.

There are three types of Oil Company Locations eligible under this Policy:

1. Retail Outlets owned by the Oil Company.

2. Retail Outlets where the Oil Company, through financial control, mortgage, lease or release, can direct a Lessee or Operator to sell .... [Tire manufacturer] tires.

3. Independent Oil Company dealers marketing a Participating Oil Company's petroleum products where the owner or operator has been influenced by the Participating Oil Company's field organization to sell .... [Tire manufacturer] tires.

MERCHANDISING COMMISSION

Merchandising Commission is equal to 10% on the Net Dealer Price (Confidential Dealer Price) of the .... [Tire manufacturer] products purchased by Agreed List Accounts.

The Merchandising Commission Agreement and percentage rate of Merchandising Commission is in effect for an annual period -- November 1st to October 31st.

The Merchandising Agreement and percentage rate of Merchandising Commission is subject to revision or cancellation by either Company on ninety (90) days' notice, prior to November 1st.

In the event that written notice is not received prior to August 1st, the Merchandising Agreement is automatically renewed for the succeeding year.

Merchandising Commission is payable Annually or Quarterly in accordance with the Tire Year.

.... [Tire Manufacturer] PRODUCTS SUBJECT TO MERCHANDISING COMMISSION

Net sales of the following products to Agreed List Accounts are subject to Merchandising Commission:

TIRES
TUBES
BATTERIES
CABLES
GROUND STRAPS

ACCESSORIES

Tube Repair Kits
Motorist Vulc. Patch Kit
Criss Cross Patches
Covered Cord Patches
Valve Patches
Rubber Valves
Rim Strips
Rubber Plugs
Cold Patching Cement
Concentrated Tire Paint
Friction Tape
Splicing Compound
Drop Centre Rim Flaps
Flap material
Quick Cure Cement

ACCESSORIES

Tire Reliners
Fan Belts
Radiator Hose (Straight)
Radiator Hose (Curved)
Air Line Hose (Curb Line)
Auto Heater Hose
Windshield Wiper Tubing
Car Washing Hose
Steptread Cement
Cured Back Tube Repair Gum (1 lb. roll)
Quick Cure Tube Repair Gum (1 lb. roll)
Quick Cure Vul. Cement 1 qt. can
Flat Car Mats - Felt Back
Contour Mats - Felt Back

MISCELLANEOUS

Soapstone

Mica

Yellow Tire Marking Crayon.

PURCHASES OF .... [Tire Manufacturer] PRODUCTS BY A PARTICIPATING OIL COMPANY FOR USE ON COMPANY OPERATED FLEET

Direct purchases of .... [Tire manufacturer] products from .... [Tire manufacturer] Branches or Warehouses, the following prices and discounts will apply:

TIRES AND TUBES

PARTICIPATING OIL COMPANY NET PRICE

..........[Tire manufacturer] Tire and Tube Net Price to Participating Oil Companies are individually listed by size and type in the Participating Oil Company Net Price List which is issued periodically by the Oil Company Sales Department at .... [Tire manufacturer] Head Office, and forwarded to the Purchasing Departments of the Oil Companies.

In computing the Oil Company price, the following maximum discounts from the Confidential Dealer Price have been deducted to arrive at the Net Price:-

(a) 2% Cash Discount.

(b) 6% General Bonus for volume computed from Dealer Price after deducting the amount of Sales Tax included in the tire or tube price.

(c) 5% Truck Tire Bonus for volume computed from Dealer Price after deducting the amount of Sales Tax included in the tire or tube price.

.... [Tire manufacturer] BATTERIES, CABLES AND BATTERY ACCESSORIES

'C' Dealer Price (equal to 20% off Dealer Price) less 5% off the face of the invoice.

AUTO ACCESSORIES

Jobber Price

MECHANICAL GOODS

ALL Mechanical Goods will be purchased at Dealer Price Less 5% except those items marked 'N.J.' which are bought at straight Dealer Price."

PURCHASES OF .... [Tire manufacturer] PRODUCTS FOR RESALE THROUGH COMPANY OPERATED STATIONS

Direct Purchases of .... [Tire manufacturer] products from .... [Tire manufacturer] Branches or Warehouses:

TIRES AND TUBES

(a) Confidential Dealer Price

(b) 2% Cash Discount

(c) 6% General Bonus for Volume (Service Consideration) will be computed annually on the net total purchases remaining after deducting the amount of sales tax included in the tire price.

(d) 5% Truck Tire Bonus for Volume (Service Consideration) will be computed annually on the net total purchases of Truck Tires and Tubes remaining after deducting the amount of sales tax included in the tire price.

A Service Consideration cheque to the amount of Earned Bonus for Volume, based on 'C' and 'D' above will be issued annually (November) to the Participating Oil Company.

.... [Tire manufacturer] BATTERIES, CABLES AND BATTERY ACCESSORIES

'C' Dealer Price (equal to 20% off Dealer Price) less 5% off the face of the invoice.

AUTO ACCESSORIES

Jobber Price

MECHANICAL GOODS

All Mechanical Goods will be purchased at Dealer Price Less 5% except these items marked 'N.J.' which are bought at straight Dealer Price. "

(Exhibit "H", 1958, B.P. Return of Information)

4. Agreement with a Tire Manufacturer

" .... [Tire Manufacturer]

.... [Address]
15th August, 1957.

.... [Oil Company]

Gentlemen:

We wish to record our appreciation of your decision to sponsor the sale of .... [Tire manufacturer]-branded tires, tubes and automotive accessories through your retail outlets, as well as their use on your owned-and-controlled truck and passenger fleets.

In consideration of your decision, ... [Tire manufacturer) will use its best efforts to promote the sale of its products through your retail outlets.

.... [Tire manufacturer] will also make available to your dealers the conveniences of a consignment stock and terms of purchasing according to their credit responsibility, as well as sign identification and an opportunity to take advantage of .... [Tire manufacturer] co-operative advertising programs.

The details of our understanding of the Merchandising Commission payable to your company and Service-Consideration-for-Volume payable on purchases for your own use or resale, as well as on purchases made by your owned-and-leased, mortgage-controlled, and independent dealers are outlined on the attached Schedule 'A'.

May this letter and attached Schedule 'A' be considered a 'Letter of Agreement' to be signed officially on behalf of your Company in the space reserved below, and returned to .... [Tire manufacturer] for filing. An extra copy signed by .... [Tire manufacturer] is attached hereto for your information and records.

Yours very truly,

.... [Tire manufacturer]

....
Vice President

ACCEPTED

....
Secretary-Treasurer

....

Attachment "

The following is the Schedule attached to the foregoing letter:

" .... [Tire manufacturer]

THIS IS SCHEDULE 'A' REFERRED TO IN THE LETTER OF AGREEMENT DATED THE 15th AUGUST, 1957, BETWEEN .... [Tire manufacturer] and .... [Oil company]

.... [Tire manufacturer] MERCHANDISING COMMISSION

1. .... [Tire manufacturer] will, in return for the use of the .... [Oil company] retail outlets as a point of sale where .... [Tire company] branded products may be displayed, identified and merchandised to the User, allow a Merchandising Commission as follows:

2. Rate

a. Merchandising Commission equal to 10% of the net dealer billing price (Dealer Net Billing Price) of .... [Tire manufacturer]-branded tires, tubes and automotive accessories sold for use or resale to the following eligible dealers:

i) Company-owned-and leased retail outlets.

ii) Company mortgage-controlled retail outlets.

iii) Independent .... [Oil company] dealers who have been influenced by .... [Oil company] to sell .... [Tire manufacturer] tires, tubes and automotive accessories.

b. Payable

The Merchandising Commission percentage rate is in effect for an annual period - November 1st to October 31st, and is payable annually or quarterly in accordance with the tire year.

3. Service-Consideration-for-Volume

.... [Tire manufacturer] agrees to pay to the 'Eligible Dealers' as listed under paragraph 2a i, ii, iii above, who have signed a .... [Tire manufacturer] Dealer Franchise Agreement; earning same, Service-Consideration-for-Volume, in accordance with .... [Tire manufacturer's] prevailing sales policy on their bonussable purchases in any tire year. (November 1st to October 31st.)

4. Reserve Fund: Additional Discounts

a. .... [Tire manufacturer] agrees to establish a Reserve Fund equal to 5% of the net value of sales of .... [Tire manufacturer] branded bonus-able tires, tubes and automotive accessories to the 'Eligible Dealers' as listed under paragraph 2 above, for the purpose of providing additional discounts to them where necessary to make them more fully competitive and eliminate any price advantage they may obtain buying direct from a competitive rubber company dealer.

b. Reserve Fund: Unused Balance

In the event the additional discounts mentioned in Paragraph 4a do not equal the amount of the Reserve Fund, any balance in such Reserve Fund as of October 31st of any year will be paid to [Oil company].

5. Purchases of .... [Tire manufacturer] Branded Products by .... [Oil company] for Resale Through Owned-and-Operated Retail Outlets: Or for Use on Company-Operated Fleet

a. Invoice Price Tires and Tubes - Dealer Net Billing.

b. Credit Note and cheque to be issued annually (November) to .... [Oil company] for Service-Consideration-for-Volume at following rates computed on invoice price (Dealer Net Billing) after deducting the amount of Sales Tax included in the Dealer Net Billing price:

First Line Tires and Tubes

Auto - Maximum Bonus plus 5% (11%)
Truck - Maximum Bonus plus 5% and plus 4½% Super Bonus (20½)

Second Line Tires and Tubes

Auto - Maximum Bonus (6%)
Truck - Maximum Bonus plus 5% (16%)

Third Line Tires

Auto - Maximum Bonus (6%)

6. Renewal or Termination

The Merchandising Commission and percentage rate of commission is subject to revision or cancellation by either company on thirty (30) day's notice, prior to November 1st.

In the event that written notice is not received prior to October 1st, the Merchandising Agreement is automatically renewed for the succeeding year. "

(Exhibit "I", 1958, B.P. Return of Information)

5. Agreement with an Automotive Wholesaler

.... [Automotive Wholesaler]

Thursday, 9th May, 1 9 5 7

.... [Oil Company]

Dear Sirs: Attention Mr. ....

It is likely that a letter on your fyles [sic], as evidence of our understanding of doing business together, may be a useful thing and with that end in mind I will send you two copies of the present, with the suggestion that you sign in the place provided for acceptance at the bottom and return to me one copy, or alternatively make such alterations or additions that may suit you and I will, thereupon, re-draft the letter.

At the present moment, our understanding is that in this Province, in its entirety and through all our Branches, all sales to your service station outlets, of which we will in due course have a complete list, will be reported monthly, and our reports will be accompanied by a cheque to the order of your company for six percent (6%) of the net amount of the sales so made. The above percentage will not apply on sales of Equipment where special discounts are extended, this applying particularly to Lincoln Greasing Equipment. We, and our sales force, will refrain from selling any petroleum products or other products merchandised by your Company, under your own brand, and in

the case of batteries, the rebate which will be paid by the Exide Company direct to your good selves, on our reports, will be ten percent (10%) rather than the six percent. We will aim to have reports in your hands on the 15th of following month.

If there are any omissions in the foregoing, they are not intentional, and I hope you will bring them to my attention. As for the starting date of this programme, because it will start slowly, let us assume that it is the 1st of May, 1957, and it will continue until the end of the present year and, then, will be renewed unless you advise us, say with one month's notice, that you want it cancelled or altered and we may give similar notice.

We look forward with enthusiasm to a mutually satisfactory business and greatly appreciate the opportunities we are offered.

Very truly yours,

...............[Automotive Wholesaler]

ACCEPTED

(Signed) ....

(Signed) ....

President "

(Exhibit "J", 1958, B.P. Return of Information)

6. Agreement with An Automotive Wholesaler

MEMORANDUM OF AGREEMENT

effective this first day of June, 1956

BETWEEN: . . . . [oil company], a corporation with head office in the City of . . . . , and Province of Alberta

hereinafter called the "Company"

THE PARTY OF THE FIRST PART

and

. . . . [automotive wholesaler], a corporation with head office in the City of . . . . and Province of Saskatchewan

hereinafter called the "Distributor"

THE PARTY OF THE SECOND PART

WHEREAS the Company is engaged in the sale of gasolines and other petroleum products and merchandise used generally in connection with automobiles through garages and service stations which are under contract with the Company to sell, or are otherwise obliged to sell, the Company's merchandise.

AND WHEREAS the Distributor is engaged in the business of selling automotive accessories to garages and service stations for resale and is desirous of using the Company's connection with garages and service stations to promote the sale of the front-end automotive merchandise described in the list attached hereto to service stations and garages for use or for resale and has agreed to pay the Company a commission on all such merchandise sold to garages and service stations who are listed as agreed between the Company and the Distributor and are under contract to handle the Company's products or owned or otherwise controlled by the Company.

NOW THEREFORE THIS AGREEMENT WITNESSETH

(1) The Company grants the Distributor the right to sell automotive accessories and front-end items (excluding anti-freeze), tires and batteries to dealers, service stations and garages under contract to handle the Company's products or owned or otherwise controlled by the Company (hereinafter referred to as the Company's "Contract Dealers") within the limits of:

The Province of Saskatchewan.

(2) The Company will recommend to its Contract Dealers in the above territory that aforesaid merchandise be purchased from the Distributor. The Company's obligation is limited to the aforesaid recommendation and the Company's right to the Commission hereinafter provided for is not to be affected by the fact that some of its Contract Dealers do not follow the Company's recommendations.

(3) The Distributor will pay the Company a commission of five per cent (5%) on all sales of front-end merchandise covered by the attached list, seven and one-half (71/2%) per cent on Dominion tires and tubes, and ten per cent (10%) on Willard storage batteries to the approved list of the Company's Contract Dealers as agreed upon. Such commission will be payable on the net price charged the Dealers after deduction of quantity discount, discounts for cash or prompt payment, allowances for merchandise returned for credit, and accounts of Dealers which the company and the Distributor agree are uncollectable.

(4) The Distributor may sell to the Dealers for cash or on such terms of credit as the Distributor thinks advisable. The Company is not to be responsible in any way for payment of Dealers' accounts and credit extended to Dealers is entirely at the Distributor's risk, subject only to the rebate by the Company of commissions paid on accounts which are agreed to be uncollectable as provided for in Paragraph (3) hereof.

(5) Such commission will be paid by the Distributor monthly on sales to the Company's Contract Dealers as agreed, in the territory during the preceding month, the first payment of commission to be made within two months of the date of this Agreement and to be based on sales made during the first month of this Agreement. At the time of payment of each month's commission, the Distributor will render a statement showing the commission payable to the Company on sales to Contract Dealers in the territory within the preceding month and details of how much [sic] total is arrived at. The Distributor will give the Company's representatives reasonable opportunity to verify such statement.

(6) The Company will endeavour to advise the Distributor ahead of time of cancellation of its contract arrangements with dealers and of changes of lessees in its leased service stations or garages. The Company will advise the Distributor of new accounts signed by the Company.

(7) The Distributor:-

(a) Undertakes that the prices of the aforesaid merchandise to the Company's Contract Dealers will be comparable with prevailing prices of other distributors to the trade and will be subject to the usual trade discounts for quantity purchases and for cash or prompt payment.

(b) Agrees to carry adequate stocks of the aforesaid merchandise at convenient points within the territory.

(c) Agrees to supply the Company's Contract Dealers with catalogue material, schedules of prices and discount and order forms and to maintain reasonable personal contact with the Company's Contract Dealers through the Distributor's salesmen and technical representatives.

(8) This Agreement shall be in force from the date hereof to December 31st of the next ensuing unless prior termination is mutually agreed upon. However should controls similar to those of World War II be imposed with resultant shortages of merchandise, The Distributor reserves the right to terminate the Agreement upon thirty (30) days' written notice.

IN WITNESS WHEREOF the parties have caused these presents to be executed.

. . . . [oil company]

____
President

____
Asst. Treasurer

. . . . [automotive wholesaler]

____
President

The following is a list of front-end automotive items on which . . . . [automotive wholesaler] will pay a commission to . . . . [oil company], as outlined in the attached agreement:

Oil filters and replacement cartridges.

Auto lamps and sealed beam units.

Windshield wiper blades, arms, etc.

Casco lighters and replacement elements.

Automotive chemicals, including polishes, brake fluids, radiator cleaning compounds, stop leaks, gas line anti-freeze, etc.

Tune-up oils.

Flashlights and flashlight batteries.

Mirrors, fog and driving lights, reflectors, defroster fans.

Car and truck heaters, thermostats

Spark Plugs and spark plug cleaning compounds

Air line hose, radiator hose, heater hose, hose clamps, fan belts, friction tape, tire and tube repair materials and kits, car mats, valve hardware including tire gauges, reliners, hot patches

Radiator caps, gas caps

Seat covers and Dunlopillo rubber cushions

Mufflers, tail pipes, shock absorbers

Gas filters, radiator cans, oil cans

Service station shop coats and overalls and shop brooms

Lubrication fittings

Chamois, sponges and wiping rags, Mekan-i-cloth

Tire pumps, under the axle and bumper passenger car jacks

Sun visors, Dor-Ease

Tire chains and chain accessories

Hydrometers, anti-freeze testers, battery servicing kits

Electric block heaters, frost shields, frost shield gaskets and cements, battery boosters

Car rugs, horns, bug screens, radiator fronts

Battery cables, ignition wires, ignition parts, fuel pumps"

(Exhibit D 22)

7. Agreement with an Automotive Wholesaler:

"A G R E E M E N T made this 5 th day of November

1957

B E T W E E N: . . . .[automotive wholesaler]

(h e r e i n c a l l e d "S u p p l i e r")

O F T H E F I R S T P A R T

- a n d - . . . .[oil company]

O F T H E S E C O N D P A R T

WHEREAS Supplier is engaged in the marketing of automotive accessory products, small replacement parts of the type normally sold to automobile service stations, and other related items, herein called "accessory products";

AND WHEREAS Supplier is desirous of obtaining the service of . . . .[oil company] in promoting the sale of Supplier's accessory products to . . . .[oil company] retail dealers;

AND WHEREAS . . . .[oil company] is willing to undertake such promotion on the terms and conditions hereinafter set forth.

NOW THEREFORE THIS AGREEMENT WITNESSETH:

1. . . . .[oil company] will promote Supplier's sales:

(a) by recommending Supplier's accessory products to . . . .[oil company] retail dealers and endeavouring to to interest the dealers in handling them;

(b) by advising . . . .[oil company] retail dealers on the best method of merchandising Supplier's accessory products;

(c) by sponsoring as it sees fit Supplier's accessory products through the medium of the . . . .[oil company] Trade Maker;

(d) by making available the facilities of its credit card system and deferred payment plan for the purchase of Supplier's accessory products from . . . .[oil company].

2. Supplier will pay . . . .[oil company] a commission equal to seven per cent (7%) of the dealer net billing price on all sales to . . . .[oil company] retail dealers whose accounts were obtained by . . . .[oil company] for Supplier. The identity of the accounts carrying such commission will be agreed upon between . . . .[oil company] and Supplier.

3. Supplier will remit monthly to . . . .[oil company's] Division Offices the commission earned in respect of sales in each respective Division during the previous month, together with a statement showing the net total of sales to each . . . .[oil company] retail dealer during the month in respect of which the remittal is made.

4. It is understood that . . . .[oil company] has no responsibility for or control over the terms of sale to . . . .[oil company] retail dealers.

5. . . . .[oil company] assumes no credit responsibility for any . . . .[oil company] retail dealer but when requested will give Supplier the advantage of such experience as . . . .[oil company] may have in the extension of credit to the dealer.

6. This agreement is effective as of the date of execution hereof and will continue until terminated by either party giving the other sixty days' prior notice in writing.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the date first herein written.

. .[oil company]	. . .[automotive wholesaler]
(signed) Vice-President	
(signed) Secretary	(signed)

(Part Three, 1958, Shell Return of Information)

This appears to be a standard agreement form commonly used by this oil company. The Company's return of information indicates that the rate of commission varies with different parties to such agreements. The same agreement has been used with a manufacturer.

8. Agreement with an Automotive Wholesaler:

" COPY . . . .[automotive wholesaler]

November 8 th, 1957

Mr. . . . .
. . . .[oil company]
. . . .

Dear Sir:

We would welcome the opportunity of supplying . . . .[oil company] service stations in the area served by our company, with their requirements. For this privilege, we would rebate to . . . .[oil company] 5% of the value of purchases of normal service station items such as accessories, mufflers, shock absorbers, chemicals etc. which are for resale.

Equipment, machine shop work, engine assemblies and parts used mainly by the garage trade would be excluded from the above rebate.

We do not sell tires, and would not sell petroleum products or antifreeze to your lessees. We are distributors for Prest-O-Lite batteries.

It would be understood that this agreement could be cancelled by either party by giving 30 days notice.

We have a branch store in . . . . so that between our two places of business, we are able to give excellent service to the area extending from Espanola to Sault Ste. Marie.

Yours very truly,

. . . .[automotive wholesaler]

PER: (signed) . . . .

MANAGER

Approved: November 20th, 1957
(signed) . . . .
. . . .[oil company]"

(Part 7, Exhibit 2, 1958 Supertest Return of Information)

9. Agreement with an Automotive Wholesaler:

"COPY

. . . .[oil company]

. . . .

. . . .

Gentlemen:

The purpose of this letter is to confirm our recent arrangement for the supplying of automotive merchandise which we understand is as follows:

We shall solicit for resale and use, items of automotive merchandise such as parts, accessories, and tools, to . . . .[oil company] dealers in the area as outlined on the attached map. We will not solicit items such as petroleum products, tires, permanent anti-freeze and batteries. It is understood that this is not an exclusive arrangement.

In consideration of the foregoing, we agree to pay you a commission of 4% on the net sale price by us on all sales of items to all . . . .[oil company] dealers, payable to you monthly and based upon sales recorded by us which will list all your dealers. We propose to report sales by the 15th of each month. It is further understood that . . . .[oil company], will be classified as a dealer on all purchases made by you for your own use.

Recognizing that we, as an automotive wholesaler can render a valuable service to the merchandising efforts of your dealers, we pledge ourselves diligently to solicit and service . . . .[oil company] accounts in the area covered by our activities with intelligent selling effort and well known quality merchandise. We are also aware that the arrangement described is of mutual benefit and that we will extend ourselves to co-operate with the persons designated in your organization who supervise your T. B. A. program. We will appreciate your co-operation and assistance in the development of sales to your dealers.

The term of this agreement shall be a period of one year commencing November 1, 1957, and automatically renewing thereafter from year to year, provided however, that either party may terminate this agreement at any time on 30 days notice sent by registered mail.

Will you please sign a copy of this letter in the space indicated

below and return it to us as an expression of the entire agreement between us.

. . . . [automotive wholesaler]

(signed) . . . .

(signed) . . . .
. . . [oil company]"

(Part 7, Exhibit 3, 1958 Supertest Return of Information)

B. List of Parties to Market Access Agreements with Principal Distributors

The parties to market access agreements with different principal distributors which are listed below are those which were parties to agreements understood to be still in effect when the principal distributors made their 1958 returns of information, unless subsequent information indicated otherwise, in which case they are not liste. Where possible the information in this section and section C below have been cross checked against returns from manufacturers and wholesalers.

Principal Distributors	Parties to Agreements
(1) Anglo American	(i) Goodyear: New Toronto, Ont.
	(ii) B. F. Goodrich: Kitchener, Ont.
	(iii) Firestone: Hamilton, Ont.
	(iv) Willard Battery Company of Canada Limited, [now Willard Automotive Division, The Electric Storage Battery Company (Canada) Limited: Toronto, Ont.]
	(v) Dominion Rubber: Kitchener, Ont.
	(vi) Motor Car Supply Company Limited: Calgary, Alta.
(2) Anglo-Canadian	(i) Goodyear: New Toronto, Ont.

Anglo-Canadian cont'd.

Note: This arrangement is is referred to by Anglo-Canadian as "the regular Goodyear merchandising plan" and is not construed by Anglo-Canadian as a "market access agreement". Moreover Goodyear, in its return listing the agreements whereby it pays a merchandising commission to principal distributors, did not include Anglo-Canadian. The arrangement is merely noted here.

(3) B. A.

(i) Goodyear: New Toronto, Ont.

(4) B. P.

(i) Goodyear: New Toronto, Ont.

(ii) Dunlop: Toronto, Ont.

(iii) John Millen & Son Limited: Montreal, P. Q.

(iv) Electric Storage: Toronto, Ont (reported by Electric Storage only)

(5) Canadian Oil

(i) Bowman Brothers Limited: Saskatoon, Sak.

(ii) H. E. Brown Supply Company: North Bay, Ont.

(iii) Dominion Rubber: Kitchener, Ont.

(iv) Gillis and Warren Limited: Winnipeg, Man.

(v) B. F. Goodrich: Kitchener, Ont.

(vi) Goodyear: New Toronto, Ont.

(vii) Hart Battery Company (1957) Limited: Montreal, P. Q.

Canadian Oil cont'd.

(viii) Kitchener Auto Parts Limited: Kitchener, Ont.

(ix) Maritime Accessories Limited: Halifax, N.S.

(x) John Millen (Hull) Limited; a subsidiary of John Millen & Son Limited: Montreal, P.Q.

(xi) Motor Car Supply Company of Canada Limited: Calgary, Alta.

(xii) Peterborough Automotive Supply Limited: Peterborough, Ont.

(xiii) Provincial Tire Company; Division of Dominion Rubber Company Limited: Kitchener, Ont.

(xiv) Seiberling Rubber Company of Canada Limited: Toronto, Ont.

(xv) T. & T. Auto Supply Company Limited: Chicoutimi, P.Q.

(xvi) Walkwood Limited: Lindsay, Ont.

(xvii) Anthony Foster and Sons Limited: Toronto, Ont.

(xviii) Hamilton Auto Supply Ltd.: Hamilton, Ont.

(xix) Jackson Supply Limited: Oshawa, Ont.

(xx) McKerlie Automotive Limited: London, Ont.

(xxi) Torgis Automotive Limited: Barrie, Ont.

(xxii) James Cowan & Company Limited: London. Ont.

(6) Canadian Petrofina

(i) Firestone: Hamilton, Ont.

Canadian Petrofina cont'd.

(ii) Electric Storage: Toronto, Ont, - both Willard Automotive and Exide Battery Divisions.

(iii) John Millen & Son Limited: Montreal, P.Q.

(iv) Goodyear: New Toronto, Ont.

(v) Maritime Accessories Limited: Halifax, N.S.

(vi) Crang Plaza Auto Parts: Downsview, Ont.

(vii) Garage Supply (St. Catharines) Limited: St. Catharines, Ont. - Possible now cancelled.

(viii) Garage Supply (Hamilton) Limited: Hamilton, Ont.

(ix) Herb Reinholdt Limited: Scarborough, Ont.

(x) Ideal Supply Company Limited: Listowel, Ont.

(xi) Jackson Supply Limited: Oshawa, Ont.

(xii) K-W Automotive Service Limited: Kitchener, Ont.

((xiii) McKerlie Automotive Limited: London, Ont.

(xiv) McMullen Supplies Limited: Ottawa, Ont.

(xv) Oakville Automotive Supply Limited: Oakville, Ont.

(xvi) Peterborough Automotive Supply Limited: Peterborough, Ont.

(xvii)) Stortz Auto Supply Limited: Welland, Ont.

Canadian Petrofina cont'd.	(xviii)	Torgis Automotive Limited: Barrie, Ont.
	(xix)	J. E. Willis Limited: Toronto, Ont.
	(xx)	H. E. Brown Supply Company Limited: North Bay, Ont.
(7) Champlain		No agreements
(8) Cities Service	(i)	B. F. Goodrich: Kitchener, Ont.
	(ii)	Seiberling Rubber Company of Canada Limited: Toronto, Ont.
(9) Federated Co-operatives		No Agreements.
(10) P. M. Fleming	(i)	Firestone: Hamilton, Ont
(11) General Oil		No Agreements
(12) Great West	(i)	Motor Car Supply Company of Canada Limited: Calgary, Alta.
(13) Home	(i)	Goodyear: New Toronto, Ont. While reported by Home as a market access agreement, this appears to be a particular sales agreement between Goodyear and Home, whereby Home does all the buying of tires for its dealers and is billed by Goodyear for them although Goodyear makes deliveries.
	(ii)	Hart Battery Company (1957) Limited: Montreal, P.Q., and Vancouver, B.C. The agreement with Hart Battery appears to be similar in nature to that with Goodyear: Hart Battery assists Home in selling.
(14) Husky	(i)	B. F. Goodrich: Kitchener, Ont.
	(ii)	General Tire and Rubber Company of Canada Limited: Toronto, Ont.

Husky cont'd.	(iii)	Goodyear: New Toronto, Ont. (reported by Goodyear but not Husky.)
(15) Imperial	(i)	No Agreements. Sole distributor in Canada of products of Atlas Supply.
(16) Irving		No Agreements
(17) Joy		No Agreements
(18) Lion		No Agreements
(19) North Star	(i)	Goodyear: New Toronto, Ont.
	(ii)	Globelite Batteries Limited: Winnipeg, Man.
	(iii)	Electric Storage: Toronto, Ont. - Willard Automotive Division.
	(iv)	Firestone: Hamilton, Ont.
	(v)	B.F. Goodrich: Kitchener, Ont.
	(vi)	Dominion Rubber: Kitchener, Ont.
	(vii)	Bowman Brothers, Limited: Sasdatoon, Sask.
	(viii)	Gillis and Warren Limited: Winnipeg, Man.
	(ix)	Motor Car Supply Company of Canada Limited: Calgary, Alta.
	(x)	Potter & Kerr Limited: Port Arthur, Ont.
(20) Planet	(i)	Hart Battery Company (1957) Limited: Montreal, P.Q.
	(ii)	Seiberling Rubber Company of Canada Limited: Toronto, Ont.
(21) Radio	(i)	Firestone: Hamilton, Ont.
(22) Regent	(i)	Electric Storage: Toronto, Ont. - Willard Automotive Division.

Regent cont'd.

(ii) Firestone: Hamilton, Ont.

(23) Reliance

(i) Firestone: Hamilton, Ont.

(ii) Dominion Rubber: Kitchener, Ont. and also its Provincial Tire Company division.

(iii) Dunlop: Toronto, Ont.

(iv) Seiberling Rubber Company of Canada Limited: Toronto, Ont.

(v) Electric Storage: Toronto, Ont. - Willard Automotive Division and also Exide Battery Division.

(vi) Prest-O-Lite Battery Company Limited: Toronto, Ont.

(vii) Bowman-Anthony Limited: Windsor, Ont.

(viii) Hart Battery Company (1957) Limited: Montreal, P. Q.

(ix) McKerlie Automotive Limited: London, Ont.

(x) Kitchener Auto Parts Limited: Kitchener, Ont.

(xi) Acme Battery Company: Hamilton, Ont.

(xii) Peterborough Auto Supply Limited: Peterborough, Ont.

(xiii) Hamilton Auto Supply Ltd.: Hamilton, Ont. (reported by Hamilton Auto Supply only)

(xiv) Jackson Supply Limited: Oshawa, Ont. (reported by Jackson Supply only)

(24) Royalite

(i) B. F. Goodrich: Kitchener, Ont.

(ii) Goodyear: New Toronto, Ont.

(24) Royalite Cont'd.

(iii) Dunlop: Toronto, Ont.

(iv) Firestone: Hamilton, Ont.

(v) Bowman Brothers Limited: Saskatoon, Sask.

(vi) Jeffree & Jeffree Limited: Vancouver, B.C.

(vii) Motor Car Supply Company of Canada Limited: Calgary, Alta.

(25) Shell

(i) Aurora Automotive Limited: Aurora, Ont.

(ii) Auto Electric Limited: Montreal, P.Q.

(iii) Auto Marine Electric Limited: Vancouver, B.C.

(iv) Auto Marine Electric (Nanaimo) Limited: Nanaimo, B.C.

(v) Bert's Auto Supply Limited: Sault St. Marie, Ont.

(vi) Bowes: Hamilton, Ont.

(vii) Carter's Limited: Hamilton, Ont.

(viii) Electric Storage: Toronto, Ont.

(ix) Firestone: Hamilton, Ont.

(x) Garage Supply (Hamilton) Limited: Hamilton, Ont.

(xi) Goodyear: New Toronto, Ont.

(xii) Henderson Auto Electric Limited: New Westminster, B.C.

(xiii) Jackson Supply Limited: Oshawa, Ont.

(xiv) Marshall-Wells B.C. Limited: Vancouver, B.C.

Shell cont'd.

(xv) McKerlie Automotive Limited: London, Ont.

(xvi) John Millen & Son Limited: Montreal, P. Q.

(xvii) Motor Car Supply Company of Canada Limited: Calgary, Alta.

(xviii) Nothern Magneto Limited: Prince George, B. C.

(xix) Nourse Automotive Parts Limited: Toronto, Ont.

(xx) Paton's Automotive & Industrial Supplies Limited: Vancouver, B. C.

(xxi) T. H. Peacock Limited: Calgary, Alta.

(xxii) Peterborough Automotive Supply Limited: Peterborough, Ont.

(xxiii) Clare Poehlman Auto Supplies: Windsor, Ont.

(xxiv) Prest-O-Lite Battery Company Limited: Toronto, Ont.

(xxv) Herb Reinholdt Limited: Scarborough, Ont.

(xxvi) Standard Motor Replacements: Toronto, Ont.

(xxvii) Stortz Auto Supply Limited: Toronto, Ont.

(xxviii) Murphy-Deacon-Manor Company Limited: Ottawa, Ont.

(xxix) Taylor, Pearson & Carson (Canada) Limited: Edmonton, Alta.

(26) Standard

(i) Taylor, Pearson & Carson(B.C.) Limited: Vancouver, B.C. subsidiary of Taylor, Pearson & Carson (Canada) Limited of Edmonton.

(ii) B.F. Goodrich: Kitchener, Ont.

(iii) Firestone: Hamilton, Ont.

(iv) Goodyear: New Toronto, Ont.

(27) Sunoco

(v) Motor Car Supply Company of Canada Limited: Calgary, Alta.

(i) B.F. Goodrich: Kitchener, Ont.

(28) Supertest

(ii) Goodyear: New Toronto, Ont.

(i) Carter's Limited: Hamilton, Ont.

(ii) Bourk's Ignition Limited: Smiths Falls, Ont. (may be terminated)

(iii) Hugh Carson Company Limited: Ottawa, Ont.

(iv) North End Auto Supply (Toronto) Limited: Toronto, Ont.

(v) Battery Supply and Service: London, Ont.

(vi) Bert's Auto Supply Limited: Sault St. Marie, Ont.

(vii) Canadian Auto Accessories Company: Brantford, Ont.

(viii) Ideal Supply Company Limited: Listowel, Ont.

(ix) K-W Automotive Service Limited: Kitchener, Ont.

(x) London Auto Supply Limited: London, Ont.

(xi) McKerlie Automotive Limited: London, Ont.

Supertest cont'd.

(xii) John Millen & Son Limited: Montreal, P. Q.

(xiii) Neville Automotive Supply - now Wolsey Automotive Limited: Sarnia, Ont.

(xiv) Herb Reinholdt Limited: Scarborough, Ont.

(xv) Herb Robinson Wholesale Limited: Oshawa, Ont.

(xvi) Warren Supply Limited: Tillsonburg, Ont.

(xvii) Provincial Tire Company, Division of Dominion Rubber.

(xviii) Prest-O-Lite Battery Company Limited: Toronto, Ont.

(xix) Acme Battery Company: Hamilton, Ont.

(29) Texaco

(i) Willard Automotive Division of Electric Storage: Toronto, Ont. Also Exide Battery Division of same company.

(ii) Firestone: Hamilton, Ont.

(iii) Taylor, Pearson & Carson (B. C.) Limited: Vancouver, B. C.

(iv) Globelite Battery Company Limited: Winnipeg, Man.

(v) Seiberling Rubber Company of Canada Limited: Toronto, Ont.

(30) United Farmers

No Agreements

(31) Vigor

No Agreements

(32) Wainwright

(i) Stewart Davis Oils Limited, a subsidiary of Wainwright supplies oils and greases to Wainwright dealers.

(33) Western — No Agreements

C. Lists of Principal Distributors who are Parties to Agreements with Manufacturers and Wholesalers

(1) Manufacturers

Company	Principal Distributors with Agreements
The Goodyear Tire and Rubber Company of Canada Ltd.	(i) Anglo American (ii) Anglo-Canadian: see note for Anglo-Canadian in Section B above. (iii) B.A. (iv) B.P. (v) Canadian Oil (vi) Canadian Petrofina (vii) Home: see note for Home in Section B above. (viii) North Star (ix) Royalite (x) Shell (xi) Standard (xii) Sunoco (xiii) Husky: see note for Husky in Section B above.
B. F. Goodrich Canada Ltd.	(i) Anglo American (ii) Canadian Oil (iii) Cities Service (iv) Husky (v) North Star (vi) Royalite (vii) Standard (viii) Sunoco
The Firestone Tire and Rubber Company of Canada Ltd.	(i) Anglo American (ii) Canadian Petrofina (iii) P. M. Fleming (iv) North Star (v) Radio (vi) Regent (vii) Reliance (viii) Royalite (ix) Shell (x) Standard (xi) Texaco

Dunlop Canada Ltd.	(i) B.P. (ii) Reliance (iii) Royalite
Dominion Rubber Company Ltd. and its Provincial Tire Company Division	(i) Anglo American (ii) Canadian Oil (iii) North Star (iv) Reliance (v) Supertest
Seiberling Rubber Company of Canada Ltd.	(i) Canadian Oil (ii) Cities Service (iii) Planet (iv) Reliance (v) Texaco
General Tire and Rubber Company of Canada Ltd.	(i) Husky
The Electric Storage Battery Company (Canada) Ltd. - Willard Automotive and Exide Battery Divisions	(i) Anglo American (ii) Canadian Petrofina (iii) North Star (iv) Regent (v) Reliance (vi) Shell (vii) Texaco (viii) B.P. (reported by Electric Storage only) and jointly with following wholesalers: Bowman Brothers Ltd. Saskatoon; Gillis and Warren Ltd., Winnipeg; Taylor, Pearson & Carson (B.C.) Ltd., Vancouver; Motor Car Supply Company of Canada Ltd., Calgary; Potter & Kerr Ltd., Port Arthur.
Hart Battery Company (1957) Ltd.	(i) Canadian Oil (ii) Home (iii) Planet (iv) Reliance
Prest-O-Lite Battery Company Ltd.	(i) Reliance (ii) Shell (iii) Supertest
Globelite Battery Company Ltd.	(i) North Star

Globelite Battery Company Ltd. cont'd.	(ii) Texaco
Acme Battery Company	(i) Reliance (ii) Supertest
Bowes "Seal Fast" Company Ltd.	(i) Shell

(2) Wholesalers:

Aurora Automotive Ltd.	(i) Shell
Auto Electric Ltd.	(i) Shell
Auto Marine Electric Ltd.	(i) Shell
Auto Marine Electric (Nanaimo) Ltd.	(i) Shell
Battery Supply and Service	(i) Supertest
Bert's Auto Supply Ltd.	(i) Shell (ii) Supertest
Bourk's Ignition Ltd.	(i) Supertest
Bowman-Anthony Ltd.	(i) Reliance
Bowman Brothers Ltd.	(i) Canadian Oil (ii) North Star (iii) Royalite
H. E. Brown Supply Company	(i) Canadian Oil (ii) Canadian Petrofina
Canadian Auto Accessories Company	(i) Supertest
Hugh Carson Company Ltd.	(i) Supertest
Carter's Ltd.	(i) Shell (ii) Supertest
James Cowan & Company Ltd.	(i) Canadian Oil
Crang Plaza Auto Parts	(i) Canadian Petrofina
Anthony Foster and Sons Ltd.	(i) Canadian Oil

Garage Supply (Hamilton) Ltd.	(i) Canadian Petrofina (ii) Shell
Garage Supply (St. Catharines) Ltd.	(i) Canadian Petrofina
Gillis and Warren Ltd.	(i) Canadian Oil (ii) North Star
Hamilton Auto Supply Ltd.	(i) Canadian Oil (ii) Reliance (reported by Hamilton Auto Supply only)
Henderson Auto Electric Ltd.	(i) Shell
Ideal Supply Company Ltd.	(i) Canadian Petrofina (ii) Supertest
Jackson Supply Ltd.	(i) Canadian Oil (ii) Canadian Petrofina (iii) Shell (iv) Reliance (reported by Jackson Supply only)
Jeffree & Jeffree Ltd.	(i) Royalite
K-W Automotive Service Ltd.	(i) Canadian Petrofina (ii) Supertest
Kitchener Auto Parts Ltd.	(i) Canadian Oil (ii) Reliance
London Auto Supply Ltd.	(i) Supertest
Maritime Accessories Ltd.	(i) Canadian Oil (ii) Canadian Petrofina
Marshall-Wells (B.C.) Ltd.	(i) Shell
McKerlie Automotive Ltd.	(i) Canadian Oil (ii) Canadian Petrofina (iii) Reliance (iv) Shell (v) Supertest
McMullen Supplies Ltd.	(i) Canadian Petrofina
John Millen & Son Ltd. and John Millen (Hull) Ltd.	(i) B.P. (ii) Canadian Oil (iii) Canadian Petrofina (iv) Shell

John Millen & Son Ltd. and John Millen (Hull) Ltd. cont'd.	(v)	Supertest
Motor Car Supply Company of Canada Ltd.	(i)	Anglo American
	(ii)	Canadian Oil
	(iii)	Great West
	(iv)	North Star
	(v)	Royalite
	(vi)	Shell
	(vii)	Standard
	(viii)	Texaco (reported by Motor Car Supply only)
Murphy-Deacon-Manor Company Ltd.	(i)	Shell
North End Auto Supply (Toronto) Ltd.	(i)	Supertest
Northern Magneto Ltd.	(i)	Shell
Nourse Automotive Parts Ltd.	(i)	Shell
Oakville Automotive Supply Ltd.	(i)	Canadian Petrofina
Paton's Automotive & Industrial Supplies Ltd.	(i)	Shell
T. H. Peacock Ltd.	(i)	Shell
Peterborough Automotive Supply Ltd.	(i)	Canadian Oil
	(ii)	Canadian Petrofina
	(iii)	Reliance
	(iv)	Shell
Clare Poehlman Auto Supplies	(i)	Shell
Potter & Kerr Ltd.	(i)	North Star
Herb Reinholdt Ltd.	(i)	Canadian Petrofina
	(ii)	Shell
	(iii)	Supertest
Herb Robinson Wholesale Ltd.	(i)	Supertest
Standard Motor Replacements	(i)	Shell

Stewart Davis Oils Ltd.	(i)	Wainwright
Stortz Auto Supply Ltd.	(i)	Canadian Petrofina
	(ii)	Shell
		Both agreements reported by principal distributors only.
T. &T. Auto Supply Company Ltd.	(i)	Canadian Oil
Taylor, Pearson & Carson (Canada) Ltd. and subsidiary Taylor, Pearson & Carson (B.C.) Ltd.	(i)	Shell
	(ii)	Standard
	(iii)	Texaco
Torgis Automotive Ltd.	(i)	Canadian Oil
	(ii)	Canadian Petrofina
Walkwood Ltd.	(i)	Canadian Oil
Warren Supply Ltd.	(i)	Supertest
J.E. Willis Ltd.	(i)	Canadian Petrofina
Wolsey Automotive Ltd.	(i)	Supertest
	(ii)	Reliance (reported by Wolsey Automotive only).

Stewart Davis Tire Ltd.	(i)	Wainwright
Smith Auto Supply Ltd.	(i)	Canadian Petrofina
	(ii)	Shell Both agreements reported by principal distributors only.
T. & T. Auto Supply Company Ltd.	(i)	Canadian Oil
Taylor, Pearson & Carson (Canada) Ltd. and subsidiary Taylor, Pearson & Carson (B.C.) Ltd.	(i) (ii) (iii)	Shell Standard Texaco
Tergis Automotive Ltd.	(i)	Canadian Oil
	(ii)	Canadian Petrofina
Wallwood Ltd.	(i)	Canadian Oil
Western Supply Ltd.	(i)	Supertest
J. R. Wilkie Ltd.	(i)	Canadian Petrofina
Wolsley Automotive Ltd.	(i)	Supertest
	(ii)	Sunoco (reported by Wolsley Automotive only)